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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

HOUSING GUARANTY PAPER

Proposal and Recommendations  
For the Review of the  
Development Loan Committee

KOREA - KOREA HOUSING INVESTMENT GUARANTY FY 1975

AID-DLC/P-2076

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May 5, 1975

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: . Korea: Korea Housing Investment Guaranty FY 1975

Attached for your review are the recommendations for authorization of a housing guaranty not to exceed thirty-five million dollars (\$35,000,000) assuring against losses (of not to exceed one hundred percentum (100%) of loan investment and interest with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance the following housing projects in Korea up to the amounts indicated:

- (1) Urban redevelopment and housing improvement program in selected squatter areas of Seoul (City of Seoul) - Ten million dollars (\$10,000,000), and /or
- (2) Korea Housing Corporation projects designed to provide low-priced apartment units in Seoul and other cities (K.H.C.) - Twenty-five million dollars (\$25,000,000).

This loan proposal is scheduled for consideration by the Development Loan Staff Committee on Monday, May 12, 1975; please note your concurrence or objection is requested by close of business on Thursday, May 15, 1975. If you are a voting member a poll sheet has been enclosed for your response.

Development Loan Committee  
Office of Development  
Program Review

Attachments:

Summary and Recommendations  
Project Analysis  
ANNEXES I - XV

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## SUMMARY AND RECOMMENDATIONS

### I. PURPOSE

To encourage and assist the Government of Korea (ROKG) in the further development and refinement of its National Housing Policy and the implementation of its long-term housing construction plan through financing two specific programs which will address three major policy determinations: 1) maintenance and improvement of existing housing stock and communities; 2) provision of new housing stock; and 3) redirection of public financing to housing for lower income groups.

### II. THE PROGRAMS

There will be two separate programs as follows:

#### A. Housing Improvement Program - Seoul City, \$10 million

Seoul City had launched an ambitious urban redevelopment program in selected squatter areas. Rather than preserving housing stock and improving existing communities this program was basically a clearance and rebuilding program. The net result would be to decrease housing stock, disrupt communities and incur high capital cost. Influenced by the conclusions reached in developing a comprehensive National Housing Policy, Seoul City will redirect its efforts toward a new housing improvement program to be implemented in selected urban areas.

The major objectives of the program will be to: sell public lands to squatters; improve or replace existing housing stock; and improve infrastructure and community facilities. A.I.D. Housing Guaranty funds will be used to provide loans in the squatter areas for: the purchase of land; the improvement of existing houses; and the replacement of houses.

#### B. Urban Housing Program - Korea Housing Corporation, \$25 million

This program will provide long-term financing for approximately 6,500 small apartment units to be built in Seoul, Pusan, and other cities affordable by families below the median income in these urban areas.

### III. BORROWERS

Seoul City and the Korea Housing Corporation for the respective programs described above.

### IV. AMOUNT OF GUARANTY

There are two separate guaranties; one for \$10 million and one for \$25 million for a total of \$35 million.

### V. TERMS

The terms of the loans will be for up to 30 years from the date of the first disbursement.

### VI. INTEREST RATES

The interest rate payable to the U.S. investor(s) shall not exceed the allowable rate of interest prescribed by the A.I.D. Administrator pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally available for similar type loans.

### VII. CONDITIONS OF GUARANTY

Proposed terms and conditions to be incorporated in the documentation for these guaranteed loans are set forth in Annex 1 of this paper.

### VIII. ROKG GUARANTY

Both loans will be backed by the full faith and credit guaranty of the Government of the Republic of Korea.

### IX. COUNTRY TEAM VIEWS

The A.I.D. Mission and the Embassy strongly endorse the proposed HIG Programs for Korea and believe it would have a substantial impact in assisting the ROKG to implement an integrated strategy to meet the housing needs of the Korean people.

### X. RECOMMENDATIONS

On the basis of conclusions reached during the review and set forth in this paper, it is recommended that two separate housing guaranties be authorized for Korea; one to Seoul City in an amount not to exceed \$10 million, and one to the Korea Housing Corporation in an amount not to exceed \$25 million.

## I. BACKGROUND AND OBJECTIVES

The Office of Housing has been actively engaged in Korea since 1971. In June, 1971, a housing guarantee pre-investment survey was conducted at the request of the AID Mission and the Government of Korea (ROKG). This survey confirmed that there were serious housing problems in Korean urban areas and particularly in Seoul and Pusan.

Seoul, located in the northern part of the country, is the capital as well as the largest and fastest growing city. Its population was estimated at 5.5 million in 1970 and is over 6 million now. Two other cities have more than a million population; Pusan, the port city at the south eastern tip of Korea with close to 2 million and Taegu, 55 miles north of Pusan in the heart of the country's agriculture area with over a million.

An additional 5.2 million people in 1970 lived in cities of 50,000 or more. Over 40 percent of total population is urban. Growth of the cities and towns averaged 4.5 percent annually in the 1960's whereas overall annual population growth had fallen below 2 percent by 1970.

In 1970, there were 4,340,000 housing units in Korea, an increase of 500,000 units since 1966. But, there was still an unfilled demand for an additional 1,200,000 residences representing a shortage of about 22 percent. The shortages were most pronounced in the urban areas, particularly Seoul.

Seoul City experienced a massive migration of refugees seeking employment after the Korean war. This immigration produced large squatter settlements near the center of the city, as well as on the outskirts. More than 160,000 squatter housing units are estimated to exist in the metropolitan Seoul area which house a population approaching 2 million persons. Many of the squatters have formed distinct communities containing serviceable, though generally substandard dwelling units, but the housing demand still exceeds the supply.

Korea is a country of traditionally single unit structures. Over 95 percent of the housing units nationwide are single unit structures and only recently has apartment construction been introduced in the urban areas. In Seoul and Pusan, over 87 percent of the housing units are single unit structures. They house an average of 2.3 families per unit. According to a household sample survey done in 1974 by the EPB, the average family size is 5.0 persons which produces an occupancy rate of almost 12 persons per housing unit. Also, according to a 1970



EPB survey, over 58 percent of the housing units in the larger cities (Seoul and Pusan) are under 14 pyongs (498 square feet) in size, which provides each occupant about 41 square feet of living space. It is accepted that the housing conditions in the cities' squatter areas are much worse.

The response of ROKG in the early 1970's prior to HIG involvement to their housing shortages was ad-hoc and of relatively low priority. The Third Five Year Plan provided for housing in only bare outline. Public housed financing accounted for only about 15 percent of housing development in 1973. The Korean Housing Corporation in 1972 was building at a rate of 3,000 units per year almost entirely for upper income and middle income people. The Korean Housing Bank was making housing loans, but generally to upper income people. Very little of the public housing effort reached low income groups. There was no overall national housing policy.

A. HIG Program for Korea 1971-1974

Since the early 1970's the ROKG has made enormous progress in responding to their housing requirements. This period of time has coincided with the active participation of the HIG program. It is difficult to account precisely for the influences of the HIG program in Korea, but it is clear that overall it has been considerable.

The HIG program has consistently supported three fundamental objectives in Korea throughout this period:

1. It has encouraged and supported the formulation and implementation of a National Housing Policy in order to provide an overall framework within which decisions on housing in the public and private sector can be made for all income groups.

2. It has encouraged the conservation of the existing housing stock. In many of the squatter areas, substantial housing construction has taken place and care must be taken to preserve this stock because of the total housing demand. Squatter communities must be given consideration with a view towards legalization of occupancy and improvement of existing living conditions by providing needed utilities, access roads, and other community facilities and social services. Many of these areas can be made acceptable in terms of living standards and represent an irreplaceable part of the whole housing picture, both in terms of cost and social replacement.

3. It has encouraged public sector programming toward maximum contribution to low income groups.

In pursuing these objectives the HIG program has attempted to work within the social and political realities of the ROKG. This has required a step by step approach whereby each successive HIG program loan has been able to further the overall objectives while at the same time building rapport for further progress with the wide variety of ROKG agencies and institutions involved. Two HIG loan guarantees have been executed.

AID authorized a \$10 million guaranty to the Korean Housing Corporation on March 15, 1973. It provided for the construction of 1,490 condominium apartment units in Seoul. This was one of the first major projects to introduce apartment condominium living in 5 story walk-up apartments of 783 square feet costing \$9,000 equivalent at that time. Construction of the project (Banpo Apartments, Phase II) was completed during the 1973 construction season and was so successful that unit sales were allocated by lottery. The entire project was sold in one day with 8,296 applicants participating in drawing lots for the 1,490 apartments.

In November, 1973, the ROKG formally indicated interest in receiving an additional HG loan. After intensive negotiations, during which AID's policy of directing its programs toward lower income people was made clear, the ROKG agreed to substantially reduce the size and price of the apartment units and construct the apartment projects in five outlying cities as well as Seoul. In January, 1974, approval in principle was granted by AID's Asia Bureau for a second \$20 million HG program. Drawdowns for the loan were completed in eight months with the final drawdown occurring on January 7, 1975.

The loan provided for construction of lower cost (two and three room apartments selling for the equivalent of \$5,470 and \$8,500 with living areas of 478 and 554 square feet, respectively, for sale to families in six key cities. In addition, it called for preparation of a national housing policy and plan which would be responsive to the shelter needs of all income groups. It was explained at all levels that further AID HG assistance would depend upon the serious development of the National Housing Policy.

The Korean National Housing Policy preparation was commenced in March, 1974 and the final draft was completed in March, 1975 on schedule. It has now been submitted to the President's cabinet for review and approval. It is proposed that it will be forwarded to the President for signature and issuance as a national decree.

The draft National Housing Policy was prepared by an interministerial task force representing all of the groups related to housing decisions in Korea. AID's technical advisory role was limited to periodic short visits because it was

understood that the National Housing Policy was to be prepared by the Koreans themselves in order to truly reflect the economic and social priorities of the country.

The resulting housing policy has five fundamental objectives:

1. Increased housing construction investments of both the public and private sector. Emphasis on public sector investments in lowest, lower and lower middle income levels and private sector investments in middle, upper middle and upper income levels.
2. Improvement of basic infrastructures supporting the housing stock, both new and existing, including improvement of housing and environment.
3. Maximization of the use of existing housing stock.
4. Improvement of the housing and building material industries for better production.
5. Reorganization of Government housing administrative services.

The overall result of the last few years has been major shift in Korean housing activity. Housing as a sector has received ever increasing attention on the part of ROKG. The following are among the major highlights which have been achieved at least in substantial part through the continuing participation of the HIG program with its capital and technical assistance components.

1. An increased concern for lower income groups. The maximum legal area limit for publicly supported housing is 25 pyongs (about 900 square feet), but the CY 1975 program is almost entirely made up of units between 13 and 15 pyongs (about 468 to 540 square feet).
2. Increased allocation of resources for housing. (The CY 1974 housing program called for the construction of 50,000 units at a public cost of 42 billion won - about \$104 million. The CY 1975 program consists of 70,000 units at a total public sector cost of 88 billion won - about \$183 million).
3. Recognition of the need to conserve and improve existing housing stock. As evidenced in Seoul City's dramatic shift from a slum clearance program to a Housing Improvement Program - section 11.

4. Shift from public rental to rental-ownership program. In the CY 1975 program, MOC has introduced a new approach whereby rental units are to be sold off to their occupants after a one to two year period. This is to encourage home ownership and reduce the amount of public housing stock to be managed and maintained by the public sector.

5. Continuation of the shift from single family units to high-density apartments. (Single family units will be mostly limited to secondary cities and towns where land costs are lower and there is less need for high housing densities).

6. Centralization of policy coordination in MOC. The policy recognizes the need for coordinating all governmental agencies dealing in housing and recommends a continuing coordinating role for MOC.

7. Improved data collection and utilization of statistical information. As a result of the studies done and improved statistical data available from the work on the National Housing Policy, the MOC was able to prepare a more comprehensive housing program for CY 1975. This continuing effort will provide a much better basis for future planning.

The officials of the MOC attribute these CY 1975 program shifts to the results of the studies for the National Housing Policy. In this sense, AID supported work is already having a direct influence on the housing program in Korea.

#### B. HIG Program Concept, 1975

The 1975 HIG program for Korea is designed to continue the achievement of the overall objectives. It proposes to do this with two separate but related HIG loans:

##### 1. Housing Improvement Program - Seoul City - \$10 million

The major objectives of the program will be to: sell public lands to squatters; improve or replace existing housing stock; and improve infrastructure and community facilities. AID Housing Guaranty funds will be used to provide loans in the squatter areas for: the purchase of land; the improvement of existing houses; and the replacement of houses.

Seoul City had launched an urban clearance and redevelopment program in selected squatter areas. Rather than preserving housing stock and improving existing communities this program was basically a clearance and rebuilding program. The net result would be to decrease housing stock, disrupt communities and incur high capital cost. Influenced by the conclusions reached in developing a comprehensive National Housing Policy, Seoul City will redirect its efforts toward a new housing improvement program to be implemented in selected urban areas.

# E. 1975 HOUSING CONSTRUCTION PROGRAM

Funding Sources				Housing		
Amount (million Won)				Units To Be Constructed		
	1974	1975	Changes		1974	1975
Total	43,666	88,828	45,157	Total	50,000	70,000
Central Gov't	25,410	47,238	21,828	Central Gov't	37,282	43,616
Budget Appropriated	998	16,954	6,065	Apartment	11,000	19,778
National Housing Bond	15,000	24,000	9,000	Duplex	8,500	8,000
Housing Lottery	1,800	2,000	200	Single House	5,282	8,168
Others	7,721	4,284	3,437	Detached		
KHC	9,241	23,100	13,861	Rural House	7,500	3,670
Loan	8,000	14,400	6,400	Industrial House	3,000	2,000
Temporary Use of Repaid Loan	-	5,000	5,000	For Workers		
Others	1,241	3,700	3,700	Others	2,000	2,000
Local Gov't	15	2,845	2,470	KHC Apartment	3,700	10,800
KHB General				Local Gov'ts	18	1,250
Housing Fund	9,000	16,000	7,000	KHB	9,000	15,000

2. Urban Housing Program - Korea Housing Corporation - \$25 million

This program will provide long-term financing for approximately 6,565 small apartment units to be built in Seoul, Pusan and other cities affordable by families below the median income in these urban areas.

In addition it is proposed to provide continuing technical assistance to the MOC to further the development of their capacity for annual housing programming and for detailing of the National Housing Policy.

This proposed 1975 program directly contributes to the basic HIG objectives in Korea. It represents an integrated total programming approach, involving Seoul City, KHC, and MOC. It provides for a significant contribution toward implementing the National Housing Policy by providing funds for the start of the Seoul City slum upgrading program and for providing for the continuation of small apartment construction both to meet the continuing need for this type of accommodation among low and low middle income households and to insure adequate supply of units for relocation from the slum upgrading program as required, and if needed. It is anticipated that KHC will coordinate closely with Seoul City during the execution of both programs.

In the two sections which follow each of the major HIG projects are discussed.

II. HOUSING IMPROVEMENT PROGRAM - SEOUL CITY

During the process of preparing a National Housing Policy it became clear to the ROKG that the previous efforts of Seoul City to implement a "slum clearance and rehabilitation" program was counter productive to the overall housing objectives of the country. As a result the Housing Policy has adopted as one of its fundamental objectives, the conservation of existing housing stock. The MOC and the members of the Housing Policy Task Force Committee prevailed upon Seoul City to reorganize their program into a housing improvement program. This view was accepted in principle, but Seoul City officials were uncertain as to how to proceed and what resources would be available to implement the new program.

An A.I.D. Office of Housing team spent considerable time exploring a new program and the use of Housing Guaranty resources with Seoul City planning engineers and technicians. A new Housing Improvement Program was jointly developed based on existing legislation, and planning and financing practices already being utilized. As a result of these discussions, general agreement was reached on basic objectives and a plan

for the new program. The Mayor of Seoul City issued a formal request for an A.I.D. Housing Guaranty loan to carry out the first Housing Improvement Program in selected priority areas.

A. Objectives of the Housing Improvement Program

Based on discussions with officials of Seoul City and MOC, it was determined that the new program will:

1. Select two initial areas of contrasting characteristics and plan and implement a community-wide improvement program;
2. Encourage individual and group self-help, provide small loans for home improvements, and provide employment in the areas to do infrastructure improvements;
3. Legalize squatter occupancy by selling public land to the present squatter/occupants wherever possible on a long term repayment basis;
4. Plan the redevelopment of selected areas in such a way as to maintain and improve the existing housing stock and minimize the displacement of residents;
5. Improve access, water supply, sewage disposal, electricity supply and community facilities to raise the community health and public safety standards to an acceptable level;
6. Develop the institutional capability of the Seoul City government to plan and carry out this program and to continue this approach in improving other areas.

B. Effect of A.I.D. Housing Guaranty Financing

The previous program conducted by Seoul City was limited primarily because of lack of long term finance. Income was limited strictly from the proceeds from land sales. Where buyers did pay cash and received the 30% discount, either they were the higher income squatters or they borrowed money at high interest rates for short terms. No housing improvement loans were provided by Seoul City. What little improvement that was done was either by cash or by short term high interest rate loans. There was very limited opportunity for the lower income residents to either buy land, improve their houses or replace them. Seoul City's ability to carry out infrastructure improvement was limited to the flow of cash received for land sales.

The use of A.I.D. Housing Guaranty financing under the new Housing Improvement Program provides long term loans to low income residents to buy land, improve existing houses or replace them. At the same time, land financing will provide the timely flow of funds to enable Seoul City to finance and carry out infrastructure improvements immediately after entering into land purchase contracts and the disbursement of Housing Guaranty funds. In addition, for the first time house improvement and replacement loans can be made available in a timely manner at reasonable loan terms.

### C. Background

The large squatter communities of Seoul have now become well established with a mixture of illegal land occupancy and private owner/occupant ownership. What was once shacks have now to a large extent become reasonably permanent structures.

The areas, however, were unplanned and developed haphazardly with inadequate access, water supply, sewage disposal, electricity, fire protection and community facilities. Some of the settlement areas are not suitable to continue as residential areas and should eventually be cleared. Many areas, however, are good residential location and communities and should be retained.

Under the 1973 Housing Improvement Law, municipal governments were to designate specific redevelopment areas. Once designated, surveys were to be conducted to determine the scope of improvement required in each area and the status of land ownership. In the law, is a provision that all land above the 100 meter elevation will be reserved for "green areas" and that occupants of such areas would be removed and resettled in lower areas. All national government land in the designated areas is to be granted to the municipalities and, along with municipal land, would be sold to squatter occupants. The proceeds from this land sale can only be used for the financing of infrastructure improvement in the designated areas.

A survey was conducted of all of the potential redevelopment areas. A total of 191 areas were selected and designated for redevelopment through a planned period extending to 1981. Out of this group, 28 areas were selected as priority areas constituting Phase 1 of the long range plan.

As early as 1968, Seoul City had started on its own redevelopment program. However, it was not until the passage of the Housing Improvement Law that it had access to both the national government land and the proceeds from the sales of land to provide the resources to do any significant redevelopment.



Considering all 191 areas, Seoul City estimated that proceeds from the sale of public land through CY 1981 would realize about Won 28.3 billion (U.S. \$59 million).

To date the direction of Seoul City has been towards demolition and clearance and the construction of new housing units in the site. With some exceptions, this completely restructured the neighborhoods with little attention to preserving the existing housing stock or communities. The net result has been an extremely costly program and a reduction of housing stock in some areas of as much as 50%. This approach has resulted in a significant displacement of both illegal squatters as well as legal land owner/occupants.

During the period CY 1968-74, Seoul City estimates that 5,000 new dwelling units were built and 20,000 dwelling units were "rehabilitated". This "rehabilitation", however, was primarily in terms of infrastructure improvement since no house improvement loans were provided. During this same period, land sales were estimated at Won 6.7 million (U.S. \$13.9 million) most of which was expended on infrastructure improvement.

In approaching the redevelopment of a given area, Seoul City officials had insisted that the total area must be upgraded to comply with all of the relatively high planning and building code standards. This has proven to be an extremely costly and unrealistic approach.

#### D. The Housing Improvement Plan Concept

It is recognized that because this is going to be an entirely new initiative on the part of Seoul City that the program will require constant monitoring and review throughout its planning and implementation. The Office of Housing will provide sufficient technical assistance to assist the Seoul City professional staff to achieve the program's objectives and to make available worldwide experience with similar upgrading programs. The initial concepts for the program are as follows:

1. Master Redevelopment Plans. On the basis of data gathered through prior surveys and additional surveys required for updating information, master redevelopment plans will be prepared for each area. Such plans will identify and plan for:

- a. Right-of-way essential to access and improvement of utilities and community facilities;
- b. Land areas to be adjusted for minimum lot sizes and public lands to be sold to occupants;
- c. Private land to be acquired because of access

requirements;

- e. Dwelling units to be replaced with new structures;
- f. Infrastructure and community facilities improvement needs.

2. Land Clearance and Rehousing. The most difficult task will be the determination of which units to retain and which to order demolished. Some constraints are necessary to curb the long-established enthusiasm of redevelopers to clear and rebuild. It is important that emphasis be placed on standards and judgment values that will have long term effects on the total program. Accordingly, it has been agreed that:

- a. Only those units which must be removed to permit approved minimum civil works, such as roads, emergency vehicle accessways, and general infrastructure will be demolished without approval by MOC.
- b. Units that are and constitute a danger to health in public safety of such a standard as to not warrant improvement, will be demolished only after approval by MOC.
- c. One of the major objectives is to reduce the dislocation of residents to a minimum. Seoul City has budgeted for the construction of 1,000 low cost apartment units (similar to the KHC type A apartments) for the purpose of absorbing families dislocated from redevelopment areas. These units can be built as needed on or near the redevelopment areas and will be rented with option to buy to dislocated families.
- d. In both areas where existing dwelling units do not warrant improvement, new units will be built in their place for sale and financed under this program. These will be a maximum of 13 pyongs (468 sq. ft.) and may be single family, duplex or fourplex, depending on lot areas available.

3. Land Transfer and Sale. Adjusted lots on public land will be offered for sale to the land occupants on the condition that if the occupant's house is improvable, the occupant will buy both the land and improve the house up to a minimum standard, or if not improvable, a new structure will be built. (Loans

for land purchase, home improvement or home replacement will be made available). If the occupant declines or cannot qualify for the loan, he will be given the opportunity to occupy a rental unit. The lot would then be made available for purchase by other residents in the area.

Such private land, as must be acquired for access or other uses, will be purchased and the owner will be given the opportunity to purchase land and a dwelling unit in the area or another site from Seoul City.

4. Infrastructure Improvements. To date, emphasis has been directed to the provision of access or linkage roads to contiguous areas and emergency vehicle access roadways. In both areas additional roadways had been planned by Seoul City which would have resulted in the demolition of a considerable number of squatter dwellings. Under the new program Seoul City officials have agreed that such disruption and displacement will be minimized with the basic need being to improve access for public safety.

Emphasis will be placed on the upgrading of the potable water supply, sewerage systems and electrical systems so as to optimize the preservation of existing infrastructure elements. To the maximum extent possible, area residents will be employed in the infrastructure improvement construction work.

#### E. Financing Plan - Housing Improvement Program

1. Loans Available to Area Residents. Residents who have demonstrated monthly family incomes sufficient to make monthly payments will be considered eligible for the various loans.

It will be the intention of the Borrower to enter into a loan agreement with an Investor providing for a 10 year grace period during which interest only will be paid. Loan agreements with residents will also provide for the grace period with a transition period to step up to the increased monthly payments required at the beginning of payment of principal.

Four types of loans will be available:

- a. Land Purchase Loans. The average land sales prices are estimated to range from \$500 (Won 240,000) to \$1,000 (won 480,000) with an average of \$630 (Won 302,000). Squatters who can qualify can purchase the land they occupy with a 10% down-payment. Repayment of the balance will be at an

estimated 9% interest rate for a repayment period of up to 25 years.

- b. House Improvement Loans. All residents of the areas will be eligible for house improvement loans. It is estimated that the loans will range from \$500 (Won 240,000) to \$2,000 (Won 960,000). These loans would require a 10% downpayment (or equal borrower equity) and would be at an estimated 9% interest for up to 25 years.
- c. Land Purchase and House Improvement Loans or House Replacement Loans. These would be combined loans as required of illegal occupants whose present dwellings are considered worth improving or may require replacement. The land purchases and house improvement loans would be at the same terms as for a. and b. above.
- d. House Replacement Loans. For those residents whose houses do not warrant improvement and can be replaced on the same or any other lot, a loan will be available for those who qualify. It is estimated that replacement units would cost (including land) from \$3,800 (Won 1,824,000) to \$5,000 (Won 2,400,000). These loans would require 30% downpayment. Loans would range from \$2,660 (Won 1,280,000) to \$3,500 (Won 1,680,000) at an estimated 9% interest for up to 25 years.

## 2. Infrastructure Financing

- a. Major Roads and Green Areas. Roads in excess of 12 meters and all designated green areas are completely financed from the Seoul City general account and not charged against area redevelopment.
- b. Area Improvements. All on site improvements, land acquisition, roads and walks, utilities improvement and community facilities will be financed out of the proceeds of the sale of public lands.

## 3. Financing Method

- a. Special Housing Account. To meet the requirements of the Special Housing Improvement Law, Seoul City set up a Special Housing Account for the sole purpose of accounting for the area

redevelopment program. This account receives the process of land sales and disburses for infrastructure improvement financing. This account would be used to handle the Housing Improvement Program.

b. Land Sales. As Seoul City enters **into** land sales agreements, Housing Guaranty disbursements would be made to match which could then be disbursed for the financing of infrastructure improvements.

c. Housing Improvement and Replacement Loans.

As Seoul City enters into loan agreements with resident borrowers, Housing Guaranty disbursements could be made to match with subsequent disbursements to borrowers.

d. Loan Administration. Seoul City will be responsible for the administration of all loans, the collection of monthly payments and the periodic repayments to the Investor.

It is anticipated that some modification to the financing concept will take place during the period of intensive planning for the program. It will be important to establish methods and procedures which will facilitate the establishment of an on-going housing improvement program beyond the life of the first project.

F. Initial Site Selection

Officials of Seoul City, MOC and the Office of Housing team analyzed the characteristics of 28 priority redevelopment areas. The analysis considered environment, health and public safety; status of land occupancy and ownership; land subdivision, housing size and condition; income characteristics of residents; long range city planning and permanence of the community; and linkage to already acceptable and or redeveloped areas.

From this analysis, two contrasting sites were jointly selected as the most suitable for the initiation of the Housing Improvement Program. A third and perhaps a fourth area will be selected during the early stages of intensive planning after the detailed financing estimates for the first priority areas has been established and the further availability of funds known.

1. Site Number 1. Site No. 1 is close to the center of Seoul. The area has a high percentage of substantial

dwellings worth retaining and improving. Basic utility services are available to most residents but the systems are old, inadequate and constitute health and safety hazards. Access to most of the housing is by way of narrow walks, and fire fighting and public safety constitute problems.

The area is well located near a main artery with adequate bus and taxi services available. Because of the high density of the structures, there is practically no public space for recreational purposes. Shops and markets in the area as well as school facilities and medical clinics are adequate to the needs of the residents.

The community-wide work to be done consists primarily of improvement in road and walk areas, water supply, sewage disposal, electrical supply, drainage. In addition, loans for the improvement of retained houses and for the replacement of unimprovable structures will be required.

The area to be developed consists of approximately 23,550 pyongs (about 19.5 acres) with 1,180 dwelling units. The estimated population is 8,760.

2. Site Number 2. Site No. 2 is located in the suburban area of Seoul and has a distinctly different composition and character. Very little of the basic utility services are available and need considerable improvement and extension. Access to most of the houses is by way of narrow walks, because of the very high density of the area, there is no public space for recreational purposes.

The total area to be developed is about 53,500 pyongs (44.4 acres). About 38,500 pyongs (32 acres) is public land illegally occupied by squatters and about 15,000 pyongs (12.4 acres) is privately owned. This will mean a significant land sales program to the squatters.

At present there are 2,189 dwelling units on the site and a population of 19,512.

Each selected area falls within the long range plans for Seoul City and are not to be disrupted in the foreseeable future with any major public works.

G. Summary of Financing. It is proposed that a \$10,000,000 HG loan be negotiated with Seoul City to initiate this program. It is not possible until the detailed surveys are completed and specific plans drawn to determine the allocations of these funds among the sites selected. It is expected that this level of funding will provide for the upgrading of between 5,000 and 7,000 housing units.

## H. ORGANIZATION AND MANAGEMENT

1. Housing Bureau. The present bureau was established in 1968 to centralize and coordinate Seoul City housing activities. The Chief of the Bureau reports directly to the Assistant Mayor. Under his supervision are five sections: a. Housing Administration (and Finance); b. Supervision (Field inspection); c. Housing Improvement I. (Planning); d. Housing Improvement II. (Implementation); and e. Housing Construction (new housing projects). Three of these sections are directly involved in the Housing Improvement Program. The Housing Administration Section collects and analyzes data, prepares overall construction and improvement programs, and manages the finances including the Special Fund for Housing Improvement. The Housing Improvement Section deals with re-development area analysis and selection & the planning of improvement programs. - The Housing Improvement Section II. deals primarily with implementation including the management of the selected area programs, the improvement of infrastructure, land adjustments and sales and squatter resettlement. The overall Housing Improvement Program is directed by a chief engineer, who is responsible directly to the Bureau Chief.

### 2. Technical Capabilities

The staff of Seoul City's Housing Bureau is composed of experienced architects and engineers backed up by a corps of highly qualified technicians. The work performed since 1968 as well as the ongoing civil works, attest to the technical skills of the group and the ability to carry out large scale programs. From a technical viewpoint, the staff which would execute this program, is judged to be highly competent and sufficient in number. The majority of this staff will be utilized in the execution of this program.

The planning and management functions are considered to be somewhat weak and will require technical assistance. The real deficiency is in the area of value-engineering as applied to existing housing and community improvement. To many of Seoul City's technical managers and planners the redirected program will be somewhat foreign to their experience and sense of urban planning values. Accordingly, this major change in direction will require time to gain acceptance. This can best be accomplished by an on-the-job training program during the implementation of the planning and construction phases. Much depends on the attitude of the Seoul City managers, planners, and technicians to make the program a success. Technical Assistance will be essential to help carry out this unique program in the direction which it is now planned.



### 3. COMMUNITY DEVELOPMENT CAPABILITIES

Central to the new direction will be the need to approach the Housing Improvement Program simultaneously in both social and physical development and improvement. The residents and leadership of the selected communities must be enlisted in the planning and implementation effort from the beginning. In some urban areas the Village movement - (Saemaul), a self-help community action program, is already well developed. The spirit and motivations of this movement must be developed and utilized in each selected improvement area.

The past approach of the Seoul City program did very little to utilize and build upon the Village Movement because of the nature of the approach. Thus, at least in the Housing Bureau, there is limited experience in the area of community development. It will be necessary to draw upon expertise from other staff of the Seoul City Government as well as other agencies to inject this dimension into the planning and implementation of the program. In addition, Technical assistance will be required to give guidance in this area.

### 4. FINANCIAL MANAGEMENT CAPABILITIES

Although Seoul City has been managing both rental and financed housing for many years, their experience with the administration of small loans, as planned under this program, is limited. To manage this program efficiently, it may require considerable technical assistance in setting up procedures for processing loan applications, making loans, making collections, and generally servicing the small mortgages. Technical Assistance in financial management is considered essential to develop the institutional capabilities to carry out this program, as well as similar future programs.



### III. URBAN HOUSING PROGRAM - KOREA HOUSING CORPORATION (KHC)

#### A. Objectives

1. To increase housing stock for home ownership in the major urban areas which can be financed and owned by families below the fiftieth percentile of the urban income groups.
2. To encourage lower income groups to buy apartments and adjust to apartment living in order to increase the density in urban areas.
3. To encourage KHC to continually analyze land, design, construction and urbanization costs and produce lower cost housing for lower income groups.

#### B. Number and Description of Housing Units

The program will consist of the financing of 6,565 apartment units of two types. Both unit types will be incorporated in five story walk-ups with generally sixty apartment units per building.

The Type A unit, is approximately 13 pyongs (468 sq. feet--415 sq. feet net living area). It will contain two small rooms for living, dining and sleeping and a kitchen and bathroom. In addition, two small balconies are provided--one for laundry and utility use and the other for storage and curing of kimchi (the staple food of Koreans) in large earthenware pots. The Type B apartment, about 15 pyongs (540 sq. feet--478 sq. feet net living area) contains a small living-dining room, two sleeping rooms, kitchen and bathroom and balconies similar to the A units.

Each apartment unit is provided with the traditional Korean "ondol" cooking and radiant floor heating system. The kitchen stove firebox serves both for cooking and heating the floor of one room. An additional firebox is provided to heat the second "ondol" room. Coal briquettes are used to fire the "ondols". Both the heating/cooking system and the fuel are considered the most economical possible in Korea, considering initial costs, maintenance and operating costs. (Floor plans are contained in Annex 9.)

#### C. Sales Prices

Sales prices for the Types A and B units have been set at \$5,173 (Won 2,483 million) and \$5,969 (Won 2,865 million)

respectively. As a result of constant encouragement by the A.I.D. Office of Housing, the KHC has made design changes in its apartments and significantly reduced land, urbanization and construction costs. The cost of these units which includes a 20% increase in construction costs is considerably less than last year's program of \$5,471 and \$8,500 respectively. The major reduction in Type B costs resulted from reversion to the traditional heating system. The KHC considers the sales prices to be firm for unit completion and sale in November 1975.

#### D. Location of Housing Units

Sales records of the 1974 HG financed program indicate that all units sold rapidly in the Seoul City and Pusan areas, while sales were slow in the provincial cities. This is due to some slowness of potential home buyers in provincial cities to accept the concept of apartment living. The following table gives the approximate locations of housing to be financed under the KHC portion of the new loan.

Table No. 2

	<u>PRELIMINARY LOCATION OF HOUSING UNITS</u>			
	<u>Seoul</u>	<u>Pusan</u>	<u>Other Cities</u>	<u>Total</u>
TYPE A	3,365	-	1,000	4,365
TYPE B	<u>1,700</u>	<u>500</u>	<u>-</u>	<u>2,200</u>
TOTAL	5,065	500	1,000	6,565

#### E. Financing Apartments

##### 1. Downpayments

For the two previous HGs, KHC required a 30% downpayment. A survey of two projects in Seoul, built and sold under the 1974 HG program (002), indicated that about 90% of the buyers derived their downpayments from "key" money.

In Korea there is a long standing practice of "key" money as a deposit in lieu of the payment of rent or partial payment of rent. There are two basic systems: 1) full "key" money deposit with a landlord, which is sufficiently large so that the curb market interest return (currently about

3% per month) to the landlord constitutes the "rent". In this case, the "renter" pays no monthly rent. 2) Partial "key" money deposit with the landlord plus a monthly rent. The rent and the curb market interest earned by the landlord constitute the total "rent".

In both cases, contracts are entered into between "renter" and landlord for from six months to one year. In both cases, the "renter" usually is responsible for paying for all utilities and services, i.e. water, electricity, sewage and garbage removal. On renewal of contracts, the "key" money and the rent may be increased by the landlord. On termination of contracts, the "renter" is returned his total "key" money deposit.

Closing costs amount to slightly over 5% and include a registration tax, a stamp tax and an acquisition tax in Seoul and Pusan.

Experience with past HG programs and the traditional "key" money practice indicates that Koreans at all income levels in the urban areas have acquired a forced savings in the form of "key" money which they can and will transfer to equity downpayments. The maximum required downpayment in this program will continue to be 30% of the sale price of the units.

## 2. Interest Rate

For the purpose of this paper, the interest rate from a U.S. lender is assumed to be 8 1/2%. With the A.I.D. housing guaranty fee of 1/2%, the loan to the KHC will be 9% for 25 years. KHC will enter into mortgage agreements with the homebuyers at 9%. A one time administration fee of 2% is included in the sales prices.

## 3. Mortgage Payments

The Borrower intends to negotiate up to a 30 year loan with a U.S. Investor which will provide for a 10 year grace period (during which only interest will be paid), and a 15 year to 20 year repayment period of principle and interest. In the mortgage agreements with the homebuyers, this grace period will also apply (10 year grace--15 year principle repayment), thus reducing the monthly payments for the first ten years. As in previous HG programs, it is considered that homebuyers in the target income groups are willing and able to pay at least 25% of their monthly income in mortgage payments. A review of this, with both EPB and KHC, indicated that this is a very reasonable assumption proven by past experience and

that homebuyers in the target income groups are able to meet this cost from the family income.

In addition to the mortgage payments, it is estimated that the homebuyer will have to make payments of about \$10 per month for utility costs and fees for the management and maintenance of the apartment buildings.

The mortgage payments are set out in the following table:

Table No. 3

	<u>Dollars</u>	<u>Won</u>
<u>TYPE A APARTMENT</u>		
Sales Price	\$5,173	2,483,000
Downpayment - 30%	1,552	774,960
Loan @ 9%	3,621	1,738,040
<u>Monthly Payments</u>		
During 10 year grace period	27.16	13,036
During 15 year amortization	36.73	17,630
<u>Monthly Income Needed @ 25%</u>		
During 10 year grace period	109	52,147
During 15 year amortization	146.92	70,522
<u>Annual Income Needed @ 25%</u>		
During 10 year grace period	1,308	627,840
During 15 year amortization	1,763	846,259
<u>TYPE B APARTMENT</u>		
Sales Price	5,969	2,865,000
Downpayment - 30%	1,790	859,536
Loan @ 9%	4,179	2,005,464
<u>Monthly Payments</u>		
During 10 year grace period	31.34	15,045
During 15 year amortization	42.38	20,342
<u>Monthly Income Needed @ 25%</u>		
During 10 year grace period	125.36	60,173
During 15 year amortization	169.52	81,370
<u>Annual Income Needed @ 25%</u>		
During 10 year grace period	1,504	721,920
During 15 year amortization	2,034.24	976,435

# SUMMARY OF FINANCING

(Won 480 = \$1.00)

UNIT TYPE	No. UNITS	PER UNIT		T O T A L	
		\$	Won	\$	Won
<u>Downpayments</u>					
Type A	4,365	1,552	744,960	6,774,480	325,175,040
Type B	2,200	1,790	859,200	3,938,000	189,024,400
Sub-Total				10,712,000	514,199,440
<u>Mortgages</u>					
Type A	4,365	3,621	1,738,080	15,866,200	761,577,600
Type B	2,200	4,179	2,120,592	9,193,800	441,302,400
Sub-Total (AID HG Financing)				25,000,000	1,200,000,000
TOTAL PROGRAM	6,565			35,712,480	1,714,199,440

Table No. 4

Table No. 4

F. Overall KHC Program for CY 1975

The KHC plans to build a total of almost 15,000 apartment units during 1975 including the 6,565 financed under the housing guaranty program. All will be either the Type A or B unit. Six thousand will be rental units with the option to buy at a later time in a program administered for the MOC and growing out of the housing policy work.

G. Technical Feasibility and Capability

Plans and specifications call for all units to be built of fireproof structures of reinforced concrete. All construction materials are available locally in sufficient quantities. Construction contractors and skilled and unskilled labor are readily available due to the current recession in construction and increasing unemployment.

Experience with KHC and technical reviews and assistance provided during the first two housing guaranty loans indicate that KHC has developed an excellent capability to plan, design and construct apartment structures efficiently and rapidly. If KHC is able to start construction of all units by the end of April, they have proven that they can complete construction of all units by November of the same year.

Because of the well-developed and proven capabilities of KHC, A.I.D. will limit technical surveillance to: the review of preliminary project site plans, block designs, apartment unit designs, review and approval of sales prices and changes in sales prices; and spot inspections of sample completed projects.

H. Financial Management and Mortgage Servicing

KHC will administer its own housing projects. This administration will include: management of construction financing and construction contracts; credit reviews and selection of the apartment buyers; mortgage servicing (including collections, foreclosures, etc.); and the management of the repayment of the loan to the U.S. Investor.

The KHC will also provide the management and maintenance of each apartment building in accordance with a condominium Regulatory Agreement governing the home owners occupancy of the apartments and use of the common facilities. The Office of Housing will maintain the normal periodic surveillance of the fiscal and operational management of the apartment projects under the program.

#### IV. IMPLEMENTATION

##### A. Housing Policy Development

###### 1. Long Range Plan

As a first step towards the implementation of the housing policy, the Policy Committee and MOC have prepared a proposed plan and allocation of resources for the period CY 1975 - 1981. The plan incorporates the specific MOC allocation of resources for CY 1975 and proposes allocations for CY's 1976 - 1981. Work on the new five year development plan will begin in CY 1976. During that process MOC will incorporate the housing policy and plan in the new fourth five year development plan, CY 1977 - 1981. In the interim, MOC has prepared the CY 1975 plan. (Reference Table 1, page 8)

###### 2. Implementation

The Government Organization Law designates the MOC as the Ministry responsible for the implementation of national housing affairs. As such, MOC is the Ministry responsible for implementing the National Housing Policy and maintaining the Housing Policy Committee to continually review the implementation progress and make necessary revisions as recommended. Responsible to the Housing Policy Committee will be an MOC staff of technicians whose responsibilities will be to continually monitor and evaluate progress toward achieving the goals of the National Housing Policy, to collect and analyze housing data on a continuing basis, and to prepare an annual housing plan in coordination with relevant government agencies. In order to start this work with competent, trained staff, it is desirable that the senior officers selected for the permanent staff be given a short training program overseas.

###### 3. Training

The training program will consist of approximately three months of study by four Korean officials and will include field visits to other countries to review housing policy administration, housing finance operations, and data collection methods. At least two months of the training will be spent in the United States to examine various U.S. agencies involved in the field of housing.

The MOC has nominated three officers for the training and the additional member will be nominated by the EPB. It is planned that the training program could begin as soon as the Korean National Housing Policy has been adopted. The MOC will be requesting financial assistance from USAID for some of the training costs.

###### 4. Technical Assistance

A final link in the implementation process will be the need for continuing technical assistance in the final development,

review, and modification of the National Housing Policy. The Office of Housing will continue to provide such assistance during the early implementation stages to evaluate progress and assist in needed revisions to the policy as the implementation process dictates.

The procedures which were established in 1974 regarding the development of the initial National Housing Policy will be continued throughout 1975. This means providing technical assistance to the MOC unit set up for the continuing policy development work. The technical assistance will involve continuing short visits every three months or so for the purposes of determining work programs, evaluating results and continuing dialogues on the issues under study.

Specifically, the following areas of work should be undertaken by MOC during CY 1975:

- a. A complete review of the interest rates charged by all public agencies connected with housing aimed at reducing subsidies, or at least insuring that subsidies are limited to the lowest income groups.
- b. More study on the use of **key** money for down-payments as related to different income groups and how lower income groups might be favored in the allocation of lease/purchase housing.
- c. A major study of housing administration and finance institutions. It will be necessary to change the operating procedures of the various housing agencies in order to reflect the objectives of the housing policy and to accelerate implementation to achieve the planned levels of housing construction.
- d. Further consideration of the appropriate role of local governments in housing.
- e. Further consideration of the private sector role, particularly regarding mobilization of private capital for housing.
- f. Further work is needed on the miscellaneous government housing programs such as industrial workers housing, special housing for miners, civil servants and military, and flood or disaster rehousing to insure that they are integrated into the overall policy.



It should be expected that work on the CY 1976 Housing Plan could be initiated early and fully reflect the national housing policy. Of particular concern will be the need to insure that the plan have a strong focus on implementation, that resources are available, and that consideration of the private sector be reflected in the plan.

B. Housing Improvement Program - Seoul City

1. Selection of Investor (s)

On the basis of the A.I.D. Guaranty Authorization, the Seoul City Government will seek an eligible U.S. Investor(s) in accordance with A.I.D. approved guidelines. Selection of the Investor(s) is subject to the approval of A.I.D. The Investor(s), appropriate Korean Government entities, and A.I.D. will then negotiate the required Contract of Guaranty, Loan Agreement, Korean Government Guaranty, and Implementation Agreement.

2. Planning and Management

The Seoul City Government will have the overall responsibility for the implementation of the program. The MOC will have a continuing monitoring role.

Because of the large number of discreet but inter-related program components, it will be necessary to form a planning and implementing group of Korean experts. This group should include a member from the MOC Housing Bureau, an urban sociologist, civil engineer, architect/planner, finance officer and a community relations and development expert.

3. Technical Assistance

Since this is a new direction for Seoul City, it is essential that technical assistance be provided to develop the institutional capabilities of Seoul City and sustain the direction in implementing these projects, continuing this type of program in other areas in Seoul and giving technical assistance to other cities in Korea.

Technical assistance required to support the housing upgrading program will need to be much more extensive than that for the housing policy and plan work.

The first step in the technical assistance program will be to provide a team to assist the Seoul City staff in developing the overall planning program. This will require defining the basic concepts and objectives of the program,

the work program, identification of any special issues which will need study and carrying out an informal on-the-job training program for Seoul City staff. Areas of attention during this period will include: data collection, surveys and analysis; physical standards for infrastructure, community facilities and housing; community development and participation; program administration, overall financing procedures including loan programs and, if necessary, legislative or regulatory modifications required to achieve program objectives.

After this initial planning period of between two and three months, work will start on the selected areas on a sequential basis. (In fact, work will have commenced during the overall planning period).

A wide variety of skills will need to be available for support of this program. The specific levels of effort should be determined as work proceeds. The group of skills required includes: physical planning; community development; infrastructure engineering; finance including small loan servicing; and legislation and planning and building code regulations.

The Office of Housing recognizes the importance of adequate and broad technical assistance to guide the development of this complex program and is committed to providing the necessary assistance. It is anticipated that a Regional Housing Officer will be posted in Seoul who will be responsible for the overall guidance of the program. Specialists in teams or individually will be provided to work with Seoul City officials in planning the overall program, preparing plans for each selected area and in periodically evaluating progress by providing short term assistance during implementation.

ESTIMATED TIMETABLE - HOUSING IMPROVEMENT PROGRAM

	<u>1975</u>	<u>1976</u>
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Authorization	May	
Selection of Investor	June	
Program Planning and Evaluation Plan	May - June	
Contracts and Agreements	July	

Site No. 1

Planning and Community Indoctrination	August - September	
Construction	October	June

Site No. 2

Planning and Community Indoctrination	October - November	
Construction		March - August

Other Sites

Planning and Community Indoctrination		January - March
Construction		April - November

C. Urban Housing Program - KHC

1. Selection of Investor (s)

On the basis of the A.I.D. Guaranty Authorization, KHC will seek an eligible U.S. Investor(s) in accordance with A.I.D. approved guidelines. Selection of the Investor(s) will be subject to the approval of A.I.D. The appropriate Korean Government entities, the U.S. Investor(s) and A.I.D. will then negotiate the required Contract of Guaranty, Korean Government Guaranty, Loan Agreement and Implementation Agreement.

2. Implementation and Management

KHC will have direct responsibility for the implementation and management of this program. The Ministry of Construction will maintain policy and administrative surveillance over KHC during implementation of this program.

3. Technical Review and Monitoring

KHC and A.I.D. will jointly review the projects proposed, sales prices and mortgage financing terms and conditions, which shall be subject to A.I.D. approval. The Office of Housing

will monitor the implementation and subsequent administration of this program.

#### 4. Disbursements

Consistent with existing procedures and previous practice, disbursements will be made in advance of construction to cover land acquisition, planning and design costs and construction startup costs; during construction covering the value of work in place; and on completion of construction covering the final disbursements. Previous experience has shown that all disbursements can be made during a twelve month period.

#### ESTIMATED TIMETABLE - URBAN HOUSING PROGRAM - KHC

	<u>1975</u>	<u>1976</u>
Authorization	May	
Program Planning and Evaluation Plan	May	
Selection of Investor(s)	May	
Execution of Contracts and Agreements	June	
Beginning of Construction	June	
First Drawdown	June	
Completion of Housing Projects		June

## V. INCOME ANALYSIS AND ECONOMIC CONSIDERATIONS

### A. TARGET INCOME GROUPS

#### 1. Income Data Analysis

Based on statistics obtained from a World Bank study, discussions with the Korean Economic Planning Board (EPB), income data has been prepared. This data is considered conservative and constitutes our best collective judgement of urban income projected to the end of CY 1975 which is the time when loans will begin to be made under both programs. The data is graphed on Table No. 7.

#### 2. Housing Improvement Program - Seoul City

On the basis of the estimated loans to be provided under this program, the following Table illustrates the eligibility of urban families in selected improvement areas to receive these loans. (See also Table No. 7.)

TABLE NO. 5

#### ELIGIBILITY OF FAMILIES - SEOUL CITY PROGRAM

<u>Loans</u>	<u>% Income</u>	<u>Monthly Pmt. Range</u>	<u>Annual Income Range</u>	<u>Percentile Range</u>
Land Purchase				
\$500 - 1,000 (Won 240,000-480,000)	10%	\$3.75-7.50 (Won 1,800-3,600)	\$450-900 (Won 216,000-432,000)	below-16
Home Improvement				
\$500 - 2,000 (Won 240,000-960,000)	10-20%	\$3.75-15.00 (Won 1,800-7,200)	\$450-900 (Won 216,000-432,000)	below-16
Home Replacement				
\$2,660-3,500 (Won 1,276,800-1,680,000)	25%	\$20-26.25 (Won 9,600-12,600)	\$958-1,260 (Won 459,840-604,800)	18-32

#### 3. Urban Housing Program-KHC

On the basis of sales prices and financing terms, the following Table illustrates the eligibility of urban families to purchase the housing units constructed by KHC. (See also Table No. 7.)

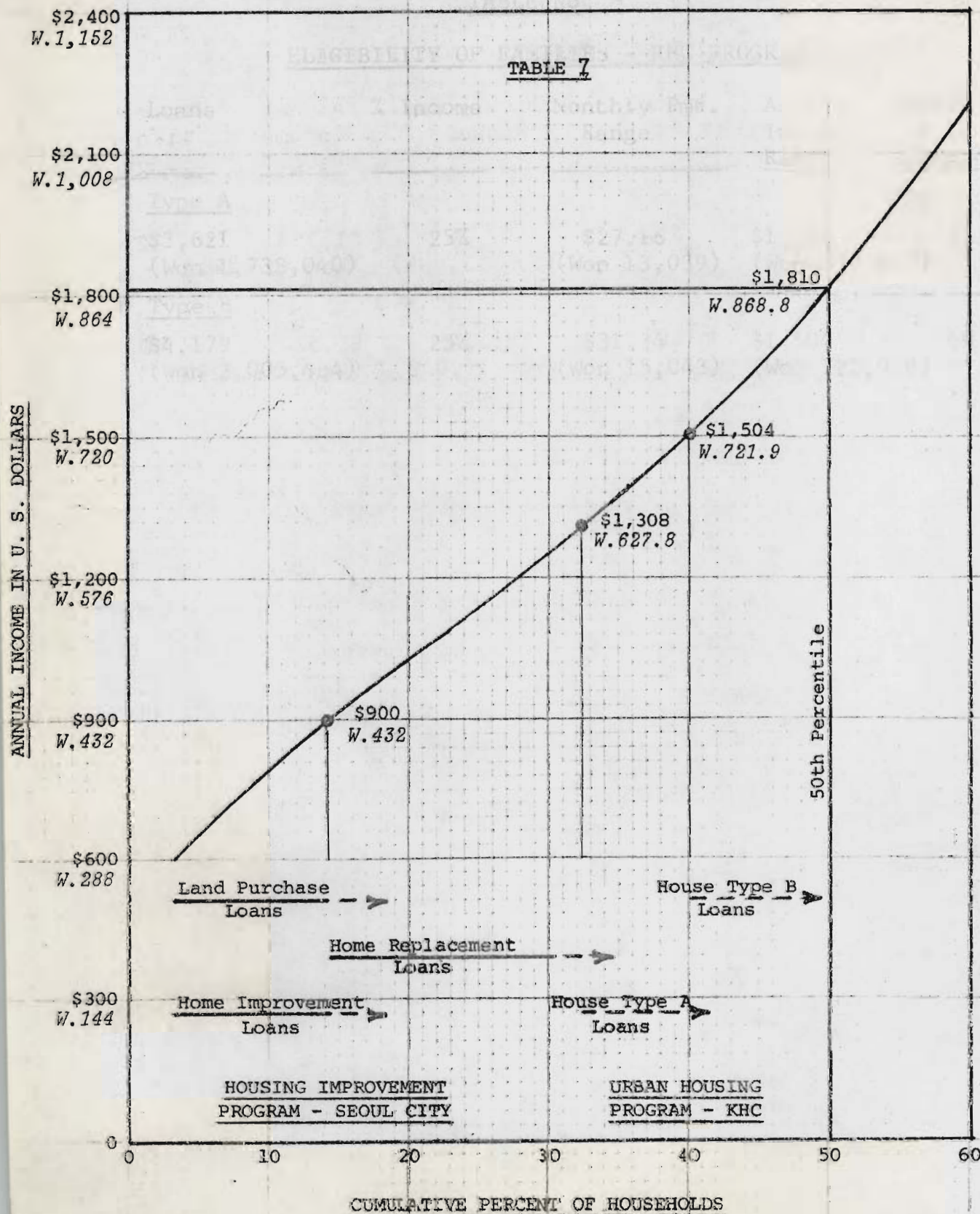
TABLE NO. 6

ELIGIBILITY OF FAMILIES - KHC PROGRAM

<u>Loans</u>	<u>% Income</u>	<u>Monthly Pmt. Range</u>	<u>Annual Income Range</u>	<u>Percen- tile Range</u>
<u>Type A</u>				
\$3,621 (Won 1,738,040)	25%	\$27.16 (Won 13,039)	\$1,308 (Won 627,840)	32
<u>Type B</u>				
\$4,179 (Won 2,005,464)	25%	\$31.34 (Won 15,043)	\$1,504 (Won 721,920)	40

# HOUSEHOLD DISTRIBUTION OF INCOME IN THE URBAN SECTOR AFTER TAXES AND TRANSFERS

Projected to December 1975 from 1968 Figures and Converted to U. S. Dollars at the Exchange Rate of W.480 per U. S. \$1.00. Income in Won is stated in Thousands.





#### 4. Ability to Make Payments

##### a. Housing Improvement Program - Seoul City

Under this program, a wide range of loans will be available both by type and amount. It is estimated that for land purchase loans and the smaller home improvement loans, borrowers will be willing and able to pay up to 10% of their incomes in monthly payments. Larger home improvement loans requiring major improvements may require up to 20% of income. The combination of land purchase and home improvement loans to a single borrower should be set at no more than 20%. House replacement loans whether or not including land purchase could be allowed up to 25% of income.

The loans are scaled in such a way as to provide a variety of options to the residents of the community whether illegal squatters or land and home owners. These options are scaled to reach the lowest income levels possible and the needs of a range of incomes.

Table No. 8 illustrates the percent of income expended and expendable for housing in urban areas.

##### b. Urban Housing Program - KHC

In Korea, there exists a motivation toward securing better housing as the family structure is developing. This can be achieved by home ownership or by rental. In either case, it is necessary to accumulate substantial savings for a down payment or "Key" deposit. 1/ Once a home is purchased, it is no longer necessary to save and the amount previously saved can be paid toward the mortgage where it actually results in a savings as equity is established.

Based on the following Table, it can be seen that when savings and rent payments are redirected toward mortgage payments, the average big city household can and will spend 25% or more of his income on his mortgage.



TABLE NO. 8

HOUSEHOLD EXPENDITURES FOR RENT AND BALANCE OF INCOME OVER  
EXPENDITURES (SAVINGS) EXPRESSED AS A PERCENT OF INCOME -  
ALL CITIES.

	<u>Rent</u>	<u>Savings</u>	<u>Total Avail- able for Housing</u>
1966	15.7	2.7	18.4
1967	16.2	3.6	19.8
1968	15.3	2.2	17.5
1969	16.4	2.8	19.2
1970	16.2	4.6	20.8
1971	15.8	7.6	23.4
1972	15.6	10.1	25.7
1973	15.8	10.4	26.2
1974 Projected			27.7
1975 Projected			29.2

Source: Korea Economic Statistics, 12-1974.  
The Bank of Korea

1/ Based on EPB survey of big cities, as of the first  
half of 1974, 48.4% of families owned houses and  
27.0% had key deposits.

## 5. Loan Repayment - Grace Period

Under the 1974 Housing Guaranty Program, KHC borrowed from the U.S. lender on the basis of 10 years grace during which time only interest paid, and 15 years repayment of principle and interest. The grace period is being provided to the home buyer. This is a simple method whereby the monthly payments can be reduced during the first 10 years and stepped up for the remaining 15 years of the loan repayment. It is assumed that during the first 10 years, the borrower's income and the value of his property have increased and that he is able to step up to higher monthly payments during the last 15 years of the loan. This is basically a simplified variable payment mortgage.

The 10 year grace method will be used under both the Housing Improvement Program and the Urban Housing Program. An adjustment period beginning prior to the tenth year will be provided so that the borrower's monthly payments will gradually step up to the higher level.

### B. USAID/KOREA ECONOMIC SECTION ANALYSIS. (Summary, See Annex V )

Ambitious long term economic planning was completed by the ROKG in 1973 resulting in a "perspective plan" for the period 1973-81. Optimistic economic projections were however, set prior to the onset of the oil crisis and many of the projected figures, particularly those represented by current prices, have lost validity. The Korean Government however, is still proceeding on the premise that the country's economic development will follow the general outlines described in the plan.

With a spectacular GNP increase in 1973, Korea ran into problems in 1974. Although the GNP continued to gain in 1974, its import bill ballooned resulting in a record balance of payments deficit. Exports and production dropped which produced a serious slump in the economy and GNP growth in 1975 is virtually certain to drop. Korea's economic fate is directly related to the economies of its major trading partners, the U.S. and Japan, and there is

every reason to believe that Korea's economy will regain its earlier momentum when the world economy returns to normal.

Although the prospects of larger deficits loom in 1975, the potential for increased capital and most importantly long term capital is quite good. Early disbursement of the housing guaranty loan in 1975 will make a helpful, if only modest contribution, to easing some of the difficulties. The loans impact on employment will also be a major economic factor.

With a 10 year grace period for amortization of principal, the debt service on the HG loan will represent only a miniscule fraction of the total debt service during the repayment period. Under the circumstances, prospects for repayment of the loan are excellent.

The following is summarized from a project report dated December 24, 1974, from the World Bank regarding Korea's economic situation. The pertinent section of the text is quoted in Annex V.

C. WORLD BANK STATEMENT (Summary, See Annex V)

Some quick disbursing program aid will be needed in the next year or so if Korea is to adjust to the higher cost of petroleum and other essential imports without a reduction in GNP growth. Servicing such additional debts is not likely to be a problem and the ROKG is intensifying its exports to prepare projects for external financing in the fields of infrastructure, agriculture and regional development.

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D. C. 20523

GUARANTY AUTHORIZATION

Provided From:           Housing Investment Guaranty Authority  
THE REPUBLIC OF KOREA   City of Seoul and Korea Housing  
                                  Corporation (KHC)

Pursuant to the authority vested in the Assistant Administrator, Bureau for East Asia, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of guaranties pursuant to Title III, Section 221 of the FAA of not to exceed thirty-five million dollars (\$35,000,000) assuring against losses (of not to exceed one hundred per centum (100%) of loan investment and interest) with respect to loans by eligible U.S. investors (Investor) acceptable to A.I.D. made to finance the following housing projects in Korea up to the amounts indicated:

- (1) Urban redevelopment and housing improvement  
    programs in selected squatter areas of Seoul  
    (City of Seoul) - Ten million dollars (\$10,000,000),  
    and/or

- (2) Korea Housing Corporation projects designed to provide low-priced apartment units in Seoul and other cities (K.H.C.) - Twenty-five million dollars (\$25,000,000).

This guaranty shall be subject to the following terms and conditions:

1. Term of Guaranty: The loans shall extend for a period of up to thirty years (30) from the date of disbursement of the first installment of the loans including a grace period on the repayment of principal not to exceed ten (10) years. The guaranty of the loans shall extend for a period beginning with the first disbursement of the loans and shall continue until such time as the Investor has been paid in full pursuant to the terms of the loans.

2. Interest Rate: The rate of interest payable to the Investor pursuant to the loans shall not exceed the allowable rate of interest prescribed by the Administrator pursuant to Section 223 (f) of the FAA and shall be consistent with rates of interest generally available for similar types of loans.

3. Republic of Korea Guaranty: The Republic of Korea shall provide a full faith and credit guaranty to A.I.D. in United States dollars assuring against any and all losses

to A.I.D. by virtue of A.I.D.'s guaranty to the Investor or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half of one per centum (1/2%) per annum of the outstanding guarantied amount of the loans plus the fixed amount of \$100,000 to be paid as A.I.D. may determine upon disbursement of the loans.

5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

---

Assistant Administrator  
Bureau for East Asia

---

Date

STATUTORY CHECKLIST

The Republic of Korea

Korea Housing Corporation (KHC)

City of Seoul

---

Section 221:

The total face amount of guaranties issued, outstanding at any one time, shall not exceed \$355,000,000.

Sections 221 and 222(b):

The proposed Guaranty will finance self-liquidating housing projects under one or more of the following criteria:

- (a) Private housing projects of types similar to those insured by HUD and suitable for conditions in Korea.
- (b) Low-income housing projects.
- (c) Housing projects with 25% of the aggregate mortgage financing for local sources.

Section 223(a):

The A.I.D. guaranty fee has been determined by A.I.D. in accordance with the authority delegated by the President.

Section 223(f):

The maximum rate of interest allowable to the eligible U.S. investor to be prescribed by the Administrator will not be more than one per cent above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development.

Section 223(h):

No payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

Section 238(c):

The guaranty agreement will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued.

Section 620:

There is no available information prohibiting the furnishing of assistance to the Republic of Korea.



Office of the Mayor  
Seoul Metropolitan Government  
Seoul, Korea

March 5, 1975

Mr. Michael H. B. Adler  
Director  
United States  
Agency for International Development  
Seoul, Korea

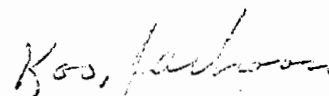
Dear Director Adler:

By this letter the government of the City of Seoul formally requests that you make available to us a loan in the sum of approximately 10 million United States dollars under the A.I.D. Housing Guaranty Program.

The loan funds will be used to assist our government in its program to upgrade and rehabilitate the city's squatters and other depressed areas, as discussed with A.I.D. Office of Housing officials during the month of February 1975.

Specifically we would direct the A.I.D. Guaranty Fund towards housing improvement in at least two major squatter areas in the city with the intent of preserving and rehabilitating maximum possible percentage of the existing shelter stock.

Very truly yours,

  
Koo, Ja Choon  
Mayor



Department of State

TELEGRAM

UNCLASSIFIED 2469

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ANNEX IV

10

ACTION AID-31

INFO OCT-01 EB-07 EA-10 IGA-01 /050 W

024604

R 000650Z MAR 75  
FM AMEMBASSY ~~SEOUL~~  
TO SECSTATE WASHDC 8661

UNCLAS SEOUL 1420

AIDAC

E.O. 11652: N/A

SUBJ: PROPOSED FY 1975 HOUSING INVESTMENT GUARANTEE  
PROGRAM

1. WE STRONGLY ENDORSE THE PROPOSED FY 1975 HIG PROGRAM FOR KOREA WHICH WE BELIEVE WILL HAVE A SUBSTANTIAL IMPACT IN ASSISTING THE ROKG TO IMPLEMENT AN INTEGRATED STRATEGY TO MEET THE HOUSING NEEDS OF THE KOREAN PEOPLE.

2. THE KEY TO FUTURE HOUSING ACTIVITIES IN KOREA WILL BE THE NEW NATIONAL HOUSING POLICY WHICH IS IN THE FINAL STAGES OF PREPARATION AND IS EXPECTED TO BE ISSUED BEFORE THE END OF MARCH 1975. THIS NEW POLICY, WHICH HAS RECEIVED SUBSTANTIAL AID ASSISTANCE AND SUPPORT, WILL INCLUDE, INTER ALIA, INCREASED INVESTMENTS OF BOTH THE PUBLIC AND PRIVATE SECTORS WITH THE FORMER INVESTMENTS AIMED AT ADDRESSING THE HOUSING NEEDS OF THE LOWEST, LOWER AND LOWER MIDDLE INCOME GROUPS WHILE THE LATTER AIMS TO ADDRESS THE NEEDS OF THE HIGHER LEVEL INCOME GROUPS. THE POLICY WILL ALSO EMPHASIZE THE MAINTENANCE AND IMPROVEMENT OF EXISTING HOUSING STOCK. THUS, THE NEW POLICY WILL SET THE STAGE FOR NATIONALLY ADDRESSING THE HOUSING NEEDS OF ALL THE KOREAN PEOPLE INCLUDING THOSE IN THE LOWER INCOME GROUPS.

3. GIVEN THE TRANSITIONAL STATUS OF AID'S UL AND DG PROGRAMS IN KOREA, WE BELIEVE THE HIG PROGRAM TO BE AN APPROPRIATE AND CONTINUING DEVELOPMENT TOOL FOR USEFUL RESOURCE TRANSFER TO KOREA THEREBY EXPANDING THE ROKG'S UTILIZATION OF THE U.S. LONG-TERM PRIVATE CAPITAL MARKET, PROVIDING RESOURCES

UNCLASSIFIED





## Department of State

# TELEGRAM

UNCLASSIFIED

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AT FAVORABLE TERMS VIS-A-VIS THE EURO DOLLAR MARKET, AND PROVIDING NEEDED FOREIGN EXCHANGE TO MEET KOREA'S CURRENT BALANCE OF PAYMENTS PROBLEM. IN ADDITION TO THE GENERAL BENEFITS NOTED ABOVE TO BE DERIVED FROM AN ADDITIONAL HIG, IT IS EXPECTED THAT THE HOUSING PROJECTS TO BE UNDERTAKEN WILL PROVIDE TIMELY EMPLOYMENT OPPORTUNITIES TO OFFSET HIGH UNEMPLOYMENT DUE TO THE CURRENT RECESSIONARY CONDITIONS IN KOREA.

4. THE TWO PROJECTS TO BE UNDERTAKEN PROVIDE A RATIONAL APPROACH FOR ADDRESSING KOREA'S HOUSING NEEDS. BRIEFLY, THESE PROJECTS ARE:

A. THE PROVISION OF A HIG TO THE KOREAN HOUSING CORPORATION (KHC) TO FINANCE THE CONSTRUCTION OF SMALL APARTMENT UNITS FOR LOWER MIDDLE INCOME FAMILIES. THE APARTMENTS TO BE CONSTRUCTED REPRESENT A SIZEABLE REDUCTION IN THE COST OF UNITS AND AN INCREASE IN THE NUMBER OF SMALLER UNITS THAN ORIGINALLY CONTEMPLATED BY THE KHC AND WILL BE WELL WITHIN THE LOWER 50 PERCENTILE OF THE TARGET GROUP TO BE REACHED THROUGH THE HIG PROGRAM.

B. THE HIG TO BE PROVIDED TO SEOUL CITY REPRESENTS AN INNOVATIVE APPROACH BY THE ROKG TO PRESERVE AND IMPROVE EXISTING HOUSING UNITS CURRENTLY OCCUPIED BY SQUATTERS AND GIVES THESE SQUATTERS THE OPPORTUNITY TO OWN THE LAND THEY OCCUPY. IN ADDITION TO PROVIDING A SIGNIFICANT IMPROVEMENT IN LIVING STANDARDS FOR MANY LOW-INCOME PEOPLE IN SEOUL, THIS PROJECT WILL BE AN INITIAL EFFORT TO REDIRECT ROKG EFFORTS FROM SLUM CLEARANCE AND RESETTLEMENT TO A MORE RATIONAL APPROACH WHEREBY EXISTING THOUGH SUBSTANDARD UNITS WILL BE IMPROVED THUS HELPING TO MAINTAIN EXISTING, IMPROVABLE HOUSING STOCK. IF THIS INITIAL, SMALLER SCALE EFFORT PROVES SUCCESSFUL, IT IS THE ROKG'S INTENTION TO CONSIDER THE EXPANSION OF THIS HOUSING IMPROVEMENT PROGRAM TO OTHER AREAS IN SEOUL AND ELSEWHERE IN KOREA.

5. ON THE BASIS OF THE FOREGOING, WE STRONGLY RECOMMEND A FAVORABLE AID/W RESPONSE TO THE PROPOSED FY 1975 HIG PROGRAM FOR KOREA.

SNFIDER

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## A. USAID/Korea Economic Section Analysis

### 1. ROKG Goals

The Korean Government's most recent long-term planning exercise was completed in mid-1973, resulting in a "Perspective Plan" for the period 1973-1981. The basic targets set out in this plan called for an export level of \$10 billion by 1980 and a per capita GNP of \$1,000 by 1981, in current prices assuming 5% inflation per year. As envisioned in the plan, the average annual growth of GNP is projected to rise from 9% in the 1974-76 period (compared to 8.6% in the Third Plan) to 11% during 1977-81. Manufacturing, especially in the machinery and heavy industrial sectors, is to be emphasized and is expected to grow 16% to 17% annually in real terms through 1981. The plan projects the investment ratio rising from 22% of GNP in 1972 to 27% in 1976 and almost 32% in 1981. On the assumption of exports rising about 30% annually through 1976 before slowing to yearly gains of 21% during 1977-81, with imports increasing at about 16%-17%, the balance of payments is envisioned as achieving a surplus in 1981.

Not surprisingly, considering that the above targets were set prior to the onset of the oil crisis, stunning price increases for a host of other essential resources and the current international recession, many of the specific figures projected, particularly where they represent projections in current prices, have largely lost their validity. However, while modifications of various elements of the plan are anticipated, e.g. lowering the targeted annual growth rate from 11% to 9% or less, giving more focus to import substitution and shifting emphasis within the heavy and chemical industry plan to less-energy-dependent industries, the Korean Government is still proceeding on the premise that the country's economic development will follow the general outlines described in this plan.

### 2. Evaluation

The initial criticisms of the 1973-81 plan focused on what appeared to be optimistic assumptions with regard to the expectations for checking population growth, the projected rapid rise in domestic savings and the anticipation of a high degree of price stability. In retrospect these appear to be relatively minor concerns when compared with the multitude of uncertainties that have been created by the onset of the oil crisis and its aftermath. After a spectacular year in 1973, when it achieved a record 16.9% advance in real GNP, boosted exports by 99% to \$3.2 billion and reduced its current



account deficit to \$309 million, Korea has run into problems. Benefiting from the momentum of the 1973 boom, Korea still managed to record some creditable figures in 1974 including a gain of 8.2\* in real GNP and an increase in exports of 38% to \$4.5 billion. Its import bill, however, ballooned to \$6.2 billion, resulting in a record \$1.8 billion balance of payments deficit. The percentage gains over 1973, moreover, mask the fact that exports and production have been trending downward since mid-1974, which is producing the most serious slump Korea has encountered since its economy began to take off in the early 1960's. With exports showing no sign of an early rebound, GNP growth in 1975 is virtually certain to be well below the average for the past decade and could conceivably be zero.

However, Korea is far from alone in facing dismal prospects in 1975. Its current problems, in fact, are a direct consequence of the serious recessions taking place in the economies of its major trading partners, the U.S. and Japan. Despite the overall trend, moreover, there were bright spots in the 1974 export performance, particularly in the rapid development of such important new exports as iron and steel and ships. Important strides were made in further diversification of markets as well. There is every reason to believe that Korea's exports will regain much, if not all, of their earlier momentum when the world economy returns to more normal conditions.

### 3. Balance of Payments and Debt Service Considerations

Confronted with a record \$1.8 billion current account deficit in 1974, Korea was still able to attract sufficient capital inflow to maintain gross reserves at approximately \$1 billion throughout the year. With the prospect of an even larger deficit in 1975, strains are beginning to appear; but the potential for increased capital inflows in 1975, and most importantly, long term capital inflows, is quite good. Still, there is little doubt that 1975 will be a difficult year for the Korean economy in general and Korea's balance of payments situation in particular. Early disbursement of the housing loans in question will make a helpful, if relatively modest, contribution to easing some of these difficulties. The projects involved, moreover, will have a very desirable impact on employment during a period when maintenance of employment will be an objective of particularly high priority.

Korea was fortunate in entering this period of greatly enlarged balance of payments' deficits following two years of excellent progress in narrowing its current account deficits and restructuring its debt burden. Its debt service ratio in 1974 was 12% as compared to 21% in 1970. Given the likely resumption of fairly strong export growth in 1976, permitting reduced net long-term borrowing, the debt service

\* All 1974 figures are preliminary



ratio in 1980 would be roughly 15% to 17%, assuming foreign exchange earnings increase by 20% per year, or by much less than the average in recent years. With a ten year grace period for amortization of principal, the debt service on these loans will represent only a miniscule fraction of total debt service during that period. Under the circumstances, prospects for repayment of this loan are excellent.

#### B. , World Bank Statement

In its report for a recent secondary cities project to the Executive Directors, dated December 24, 1974, the World Bank noted the following in regard to Korea's economic situation:

"Korea's ability to obtain foreign funds on the scale required will be a main determinant of whether or not it will be able to adjust to the higher cost of petroleum and other essential imports without a substantial reduction in GNP growth. Some quick disbursing program aid will be needed in the next year or so in addition to normal project lending if the required amounts are to be available. Servicing additional debt of the magnitude envisaged is not likely to be a serious problem, provided a substantial proportion of external loans is provided by official sources and the terms of loans from private sources are not unduly onerous. On the assumption that about one-third of external loans are from official sources, and that the average maturity of these loans is not less than ten years, the debt service ratio would rise only from ten percent in 1973 to fourteen percent by 1979".

"The Government is intensifying its efforts to prepare projects suitable for external official financing in the fields of infrastructure, agriculture and regional development. The foreign exchange component of such projects is low, partly because they consist largely of civil works and Korea's construction industry is efficient and well-organized and wins an overwhelming proportion of contracts put out to international competition. Moreover, the construction industry's dependence on imports is expected to lessen in the future. Korea's need for official aid, therefore, cannot be met if financing is confined to the foreign exchange costs of projects".

It can be seen, therefore, that the proposed \$35 million HG, with its long-term amortization of 30 years, its rapid disbursement, its high local currency component and its employment generating aspects, would fit precisely within the World Bank recommendations.

44



	72-81	72-76	72	73	74	75	76	77-81	77	78	79	80	81	B/A
1. POP (000)	4,964	2,561	32,416	32,905	33,399	33,900	34,408	2,403	34,924	35,413	35,873	36,329	36,811	113.6
Urban	8,037	4,016	14,005	15,136	15,951	16,744	17,548	4,121	18,347	19,157	19,960	20,910	21,669	154.7
Rural	3,173	1,455	18,411	17,769	17,448	17,156	16,860	-1,718	16,577	16,256	15,913	15,419	15,142	82.2
2. No. of family	-	-	5.60	5.55	5.50	5.45	5.40	-	5.35	5.30	5.25	5.20	5.15	-
Urban	-	-	5.20	5.12	5.09	5.05	5.01	-	4.97	4.93	4.89	4.85	4.81	-
Rural	-	-	6.00	5.97	5.94	5.91	5.88	-	5.85	5.82	5.79	5.76	5.73	-
3. No. of Households	1,498	722	5,774	5,934	6,071	6,220	6,372	776	6,528	6,682	6,833	6,986	7,148	123.8
Urban	1,910	910	2,705	2,958	3,134	3,318	3,505	1,000	3,694	3,889	4,085	4,309	4,505	166.5
Rural	-412	-188	3,069	2,926	2,937	2,903	2,867	-224	2,834	2,793	2,748	2,677	2,643	86.1
1. Housing (1000)	1,926	410	4,580	4,638	4,708	4,817	4,960	1,526	5,148	5,386	5,680	6,044	6,486	141.6
Urban	2,331	614	1,670	1,773	1,886	2,032	2,211	1,717	2,439	2,717	3,049	3,451	3,928	235.2
Rural	-395	-204	2,910	2,865	2,822	2,785	2,749	-191	2,709	2,669	2,631	2,593	2,558	87.9
2. Construction (1000)	2,751	832	110	143	160	192	227	1,919	268	317	374	441	519	471.8
Region														
Urban	2,617	742	95	128	140	172	207	1,875	258	307	364	434	512	538.9
Rural Sector	134	90	15	15	20	20	20	44	10	10	10	7	7	46.7
Urban	883.6	258.0	17.5	43.4	45.5	70.0	81.6	625.6	93.6	107.2	122.8	140.8	161.2	921.1
Rural	1867.4	574.0	92.5	99.6	114.5	122.0	145.4	1293.4	174.4	209.8	251.2	300.2	357.8	386.8
3. Worn-out (1000)	815	422	80	85	90	83	84	393	80	79	80	77	77	-
Urban	286	128	22	25	27	26	28	158	30	29	32	32	35	-
Rural	529	294	58	60	63	57	56	235	50	50	48	45	42	-
4. Housing Supply Ratio (%)	-	-	79.3	78.2	77.5	77.4	78.3	-	78.9	80.6	83.1	86.5	90.7	-
Urban	-	-	61.7	59.9	60.2	61.2	63.1	-	66.0	69.9	74.6	80.1	87.2	-
Rural	-	-	94.8	96.3	96.1	95.9	75.9	-	95.6	95.6	95.7	96.9	96.8	-
1. GNP (A) (billion Won)	335.97	316.20	5,013	5,860	6,329	6,899	7,519	51,977	8,346	9,265	10,283	11,414	12,669	252.7
2. Housing Investment (B) (")	5,199	1,299	148	200	248	313	390	3,900	482	602	748	926	1,142	771.6
Public	1,201	274	19	40	41	74	100	927	122	149	181	216	259	103.2
Private	3,998	1,025	129	160	207	239	290	2,973	360	453	567	710	883	668.4
3. B/A %	6.2	4.1	2.9	3.4	3.9	4.5	5.2	7.5	5.8	6.5	7.3	8.1	9.0	-
Unit Cost (1000 Won)	1,890	1,561	1,345	1,400	1,350	1,630	1,720	2,832	1,802	1,900	2,003	2,143	2,200	163.6

74 Constant price

## REDEVELOPMENT PROJECT FOR HOUSING IMPROVEMENT

ANNEX VII

By City	Year	By Region	AREA PYONG				
			Total	Govt. Owned	City Owned	Private Owned	No. Of Housing
Seoul	1974		389,933.9	90,477.6	111,102.7	188,413.6	11,607
		Sungin	17,515	1,515	1,583	14,417	766
		Kimho No. 2	37,473.5	4,912	30,182	2,379.5	676
		Donam No. 3	80,974	14,573	32,389	34,012	2,331
		Bukahun No. 2	4,534.1	-	3,392	1,142.1	190
		Ahun No. 2	46,853	322.4	17,288.6	29,242	1,180
		Seobingo No. 1	3,578	1,995	10	1,573	49
		Huksuk	29,396.7	7,761	8,039	13,596.7	708
		Kochuk	8,714	1,091.6	-	7,622.4	159
		Hongun No. 5	73,898.7	17,423.1	18,051	38,424.6	2,607
		Hunchae No. 3	45,835.9	14,715.5	168.1	30,952.3	1,213
		Myungyun	29,648	21,985	-	7,663	932
		Hannam	11,573	4,184	-	7,389	47

SITE No. 1



## REDEVELOPMENT PROJECT FOR HOUSING IMPROVEMENT

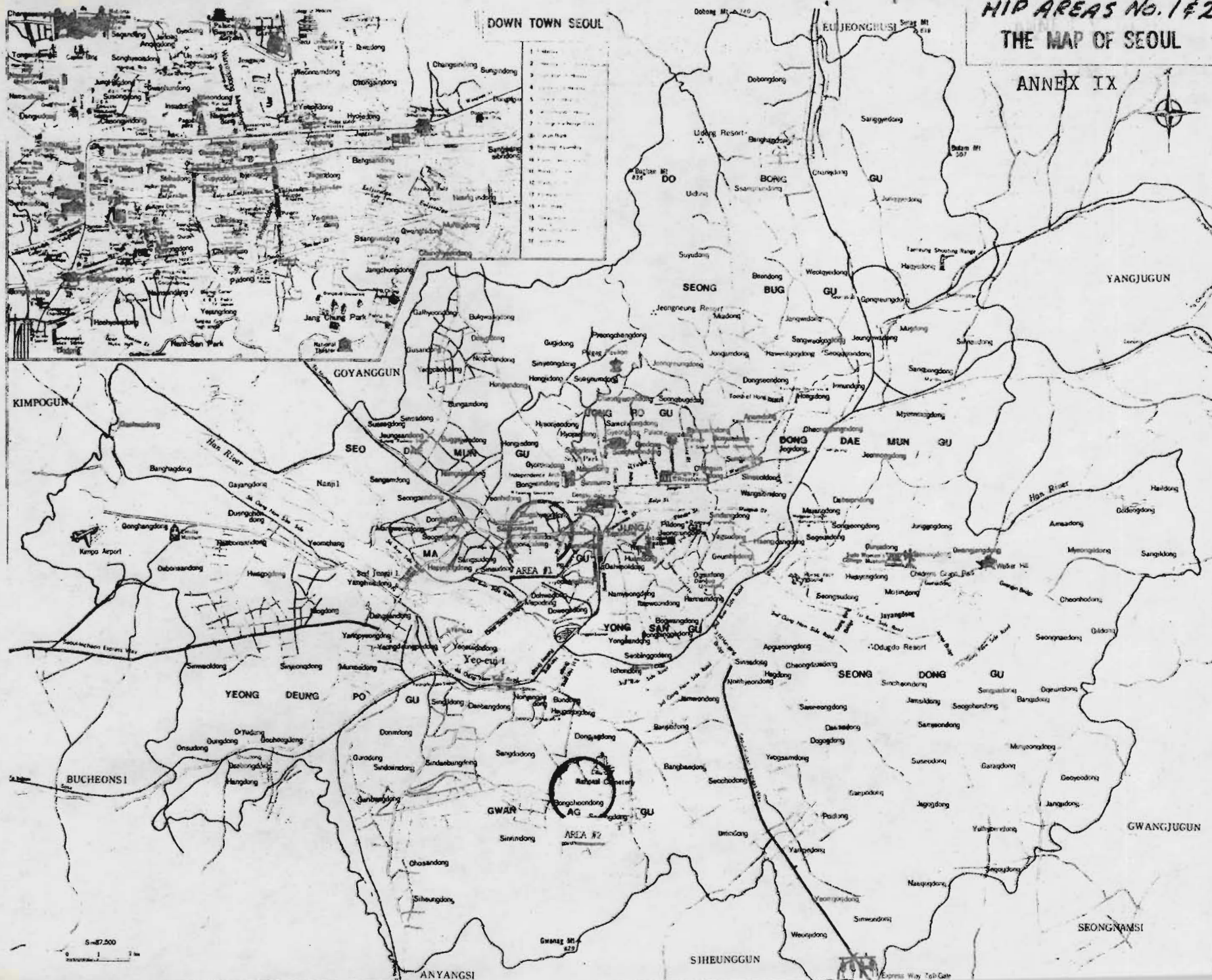
ANNEX VIII

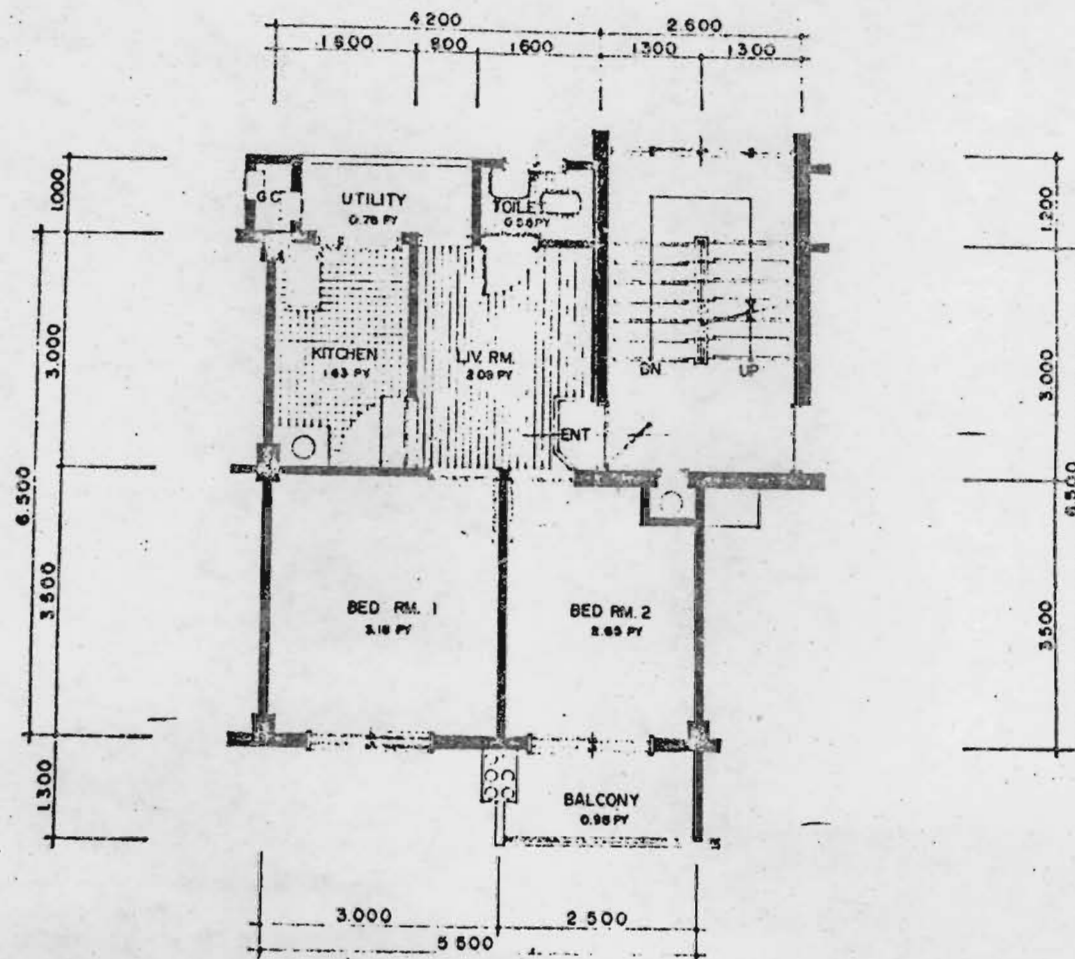
By City	Year	By Region	AREA PYONG				
			Total	Gov't Owned	City Owned	Private Owned	No. Of Housing
Seoul	1975		573,669	357,139	-	216,530	17,363
		Okin	14,792	1,568	-	3,224	131
		Kumho No. 1	49,518	38,246	-	11,272	1,665
		Kumho No. 3	21,551	20,805	-	746	731
		Kumho No. 4	15,063	15,024	-	39	661
		Oksoo No. 1	19,501	14,771	-	4,730	593
		Oksoo No. 2	31,278	31,154	-	124	937
		Oksoo No. 5	11,340	9,995	-	1,345	123
		Oksoo No. 6	23,715	18,371	-	5,344	560
		Sangdo No. 5	24,175	562	-	23,613	285
		Sadang No. 1	13,631	2,440	-	11,191	426
		Sadang No. 4	59,057	48,409	-	10,648	2,281
		Bongchun No. 1	52,052	13,176	-	38,876	957
		Bongchun No. 2	28,550	15,131	-	12,419	993
		Bongchun No. 3	54,527	33,911	-	20,616	1,722
		Bongchun No. 4	101,399	44,041	-	57,358	3,109
		Bongchun No. 7	53,520	38,535	-	14,985	2,189

SITE NO. 2



## THE MAP OF SEOUL





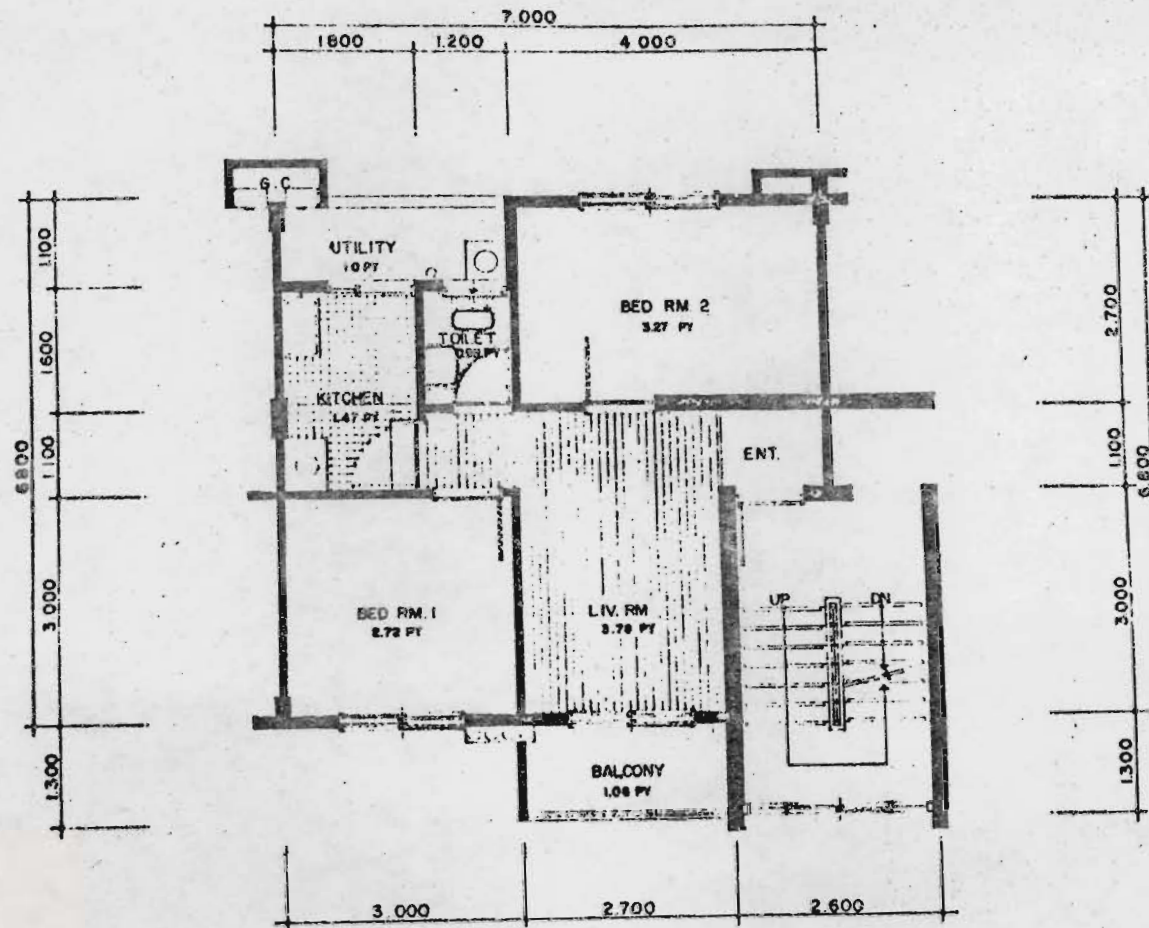
UNIT FLOOR AREA		
	MR	PY
NET AREA	36.05	10.91
PUBLIC AREA	3.46	1.63
BALCONY AREA	1.63	0.49
GROSS AREA	43.14	13.05

13-N TYPE UNIT FLOOR PLAN SCALE: 1/30

KOREA HOUSING CORPORATION	
PROJECT NO.	75-110-0000000000
UNIT NO.	13-N
DATE	1975.11.17
DESIGNED BY	Y. S. KIM
CHECKED BY	Y. S. KIM
APPROVED BY	Y. S. KIM



# ANNEX XI



UNIT FLOOR AREA		
	M <sup>2</sup>	PY
NET AREA	437	1322
PUBLIC AREA	5.46	1.63
BALCONY AREA	1.76	0.53
GROSS AREA	50.92	154

15-STYPE UNIT FLOOR PLAN SCALE: 1/30

KOREA HOUSING CORPORATION	
DESIGNER <i>[Signature]</i> CHECKED BY <i>[Signature]</i> DATE <i>[Signature]</i>	IS IT GUARANTEED APARTMENT FLOOR PLANS 15-STYPE UNIT FLOOR PLAN SCALE: 1/30 DRAWN BY <i>[Signature]</i>

PERSPECTIVE VIEW OF 60 UNITS BUILDING FOR 13 PYONG TYPE



SUMMARY: 1973-74 HOUSING GUARANTY PROGRAMSKOREA 489-HG-001 (\$10 million) - 1973

22 Pyong:  
 Number of Units : 1,490 (Seoul)  
 Size : 28 pyong (783 sq. feet)  
 Total Cost : \$9,000  
 25% Downpayment : 2,250  
 Mortgage Balance : 6,750

KOREA 489-HG-002 (\$20 million) - 1974

<u>Location</u>	<u>No. Units Built (13 Pyong)</u>	<u>No. Units Built (15 Pyong)</u>
Seoul	-	1400
Pusan	300	700
Taegu	200	300
Inchon	200	300
Kwangju	100	-
Taejon	<u>200</u>	<u>-</u>
Total	1000	2700

Financing: 30% Downpayment

13 Pyong  
 Downpayment: \$1,650  
 Mortgage Balance : 3,851  
 Total Cost: \$5,501

15 Pyong \$2,550  
 Mortgage Balance: 5,950  
 Total Cost: \$8,500



HOUSING IMPROVEMENT PROMOTION ENFORCEMENT LAW

( Law No. 2581, March 5, 1973 )

Article 1. Purpose

The purpose of this law is to regulate the special examples of Redevelopment Project prescribed in the Urban Planning Law to accelerate housing improvement, and to contribute toward the promotion of sound urban development and public welfare.

Article 2. Designation of Redevelopment Area

- a. The Minister of Construction shall designate the redevelopment area for urban development prescribed in Article 3 by request of the Mayors of Seoul City and Pusan City, and the provincial Governors. (referred to as Governor hereinafter)
- b. The Minister of Construction shall obtain a permit from the President after deliberation of Cabinet Council if he intends to determine the designated area for urban redevelopment as urban planning area, as prescribed in the above paragraph.
- c. Designation of redevelopment area prescribed in Paragraph a shall not obstruct the urban functions within the least scope necessary for housing improvement.

Article 3. Condition for Designation of Redevelopment Area

Redevelopment area for housing improvement shall be designated by Paragraph 1 of each Article hereunder.

- a. The area involving low standard building in violation of the Construction Law and other concerned laws and decrees, as of the effective date of this Law.
- b. The area where refugees have been and/or shall be accommodated in order to carry out the housing improvement project.

Article 4. Implementation of Redevelopment Project

As for the implementation of redevelopment projects for housing improvement, Article 33-2 and 33-3 of the

Construction Law shall be applied, except for the special cases prescribed in this law.

- a. The undertaker of redevelopment project for housing and improvement shall determine not to sell the sites and buildings developed by the management and disposal plan of this project to assure the rational utilization of these properties intended to prevent natural disasters and sanitary obstacles.

Article 5. Unilateral Transfer of National and Public Land

- a. In cases that the area designated for redevelopment project in accordance with Article 2 comprises any state owned and/or local autonomy owned land being utilized for accommodation of refugees and for unlicensed buildings as of Dec. 31, 1972, that part of the land shall be regarded as of changed use and be transferred to the state and/or local autonomies, regardless of the National Property Law, Local Financial Law and other laws decrees pertinent to the management and disposal of public properties. Exceptionally, the portion of this land for which the state and/or local autonomies made transfer contract with and/or received any part of the price from the purchaser of the land shall not be applied to the foregoing regulation. Of the land transferred local autonomies, that portion of the land belonged to the Special Account for Officers' pension shall be compensated for as prescribed in a Presidential Decree.
- b. In spite of Paragraph a., the portion of land being utilized for road, railroad and other public facilities prescribed in Presidential Decree shall not be transferred to the local autonomies.
- c. In case that more important facilities than those prescribed in Paragraph b. are to be established on the sites, owing to the implementation of Redevelopment Project for housing improvement, that portion of land shall be transferred to the local autonomies unilaterally.

Article 6. Securement and Appropriation of Fund for Redevelopment Project

- a. The incomes and revenues accruing from the use and disposal of the land prescribed in the above Article shall not be used for other purposes than Redevelopment Project for housing improvement.



- b. All the matters necessary for management and disposal of such lands transferred to the local autonomies by Article 5 shall be determined by approval of the Minister of Construction in accordance with the regulations and operation procedures in the same local autonomies.

#### Article 7. Supervision

The Minister of Construction shall issue orders to the undertaker of this project to take necessary measures for cancellation and change of designated redevelopment area for housing improvement in the case of Paragraph a.

- a. In case that the approved project is not commenced rightly upon designation of the redevelopment area and is changed without a permit from the Minister of Construction.
- b. In case that the portion of land transferred to the local autonomies, as is prescribed in Article 5, is disposed of for other purposes than the Redevelopment Project.
- c. In case that it is deemed necessary for other public profits.

#### Article 8. Application of Urban Planning Law

All the matters necessary for implementation of this Law shall be determined by a Presidential Decree.

#### Agenda

This Law shall be effective from the date of announcement until Dec. 31, 1981.

## SUPPLEMENTARY INFORMATION REQUESTED BY EAPAC

Evaluation of 1974 Housing Guaranty Program - KHC

A. Target Income Groups. The project proposal as approved indicated that the two types of apartment units, 13 pyong and 15 pyong in area, could be afforded by families with income ranging from \$100 to \$200 per month. This was based on the assumption that buyers would be willing and able to pay 25% of their incomes. It was estimated that average family incomes or urban salary and wage earners, depending upon occupational categories, would range between \$113 and \$141 per month by the end of 1974 when they would actually purchase the apartments. Although the objective of the program was to reach "lower income groups", there was no stated percentile grouping or income ceiling limitation.

B. Financing. A total of 3,700 apartment units were built in Seoul and five other cities. The 13 pyong apartments were built with traditional ondol heating while the 15 pyong apartments were provided with central heating at considerably higher cost. The financing was as follows:

<u>13 Pyong Apartment</u>	
Sales Price	\$5,501
Downpayment 30%	1,633
Mortgage	3,868
Monthly payments (9%-10 yr. grace)	29.00
Monthly income required @ 25%	116.00
<u>15 Pyong Apartment</u>	
Sales Price	\$8,500
Downpayment 30%	2,250
Mortgage	5,950
Monthly payments (9%-10 yr. grace)	44.62
Monthly income required @ 25%	178.48

The monthly payments and estimated monthly income requirements corresponded to the target group income range of \$100 to \$200 per month.

C. Survey of Reported Incomes. In April, 1975 KHC conducted sample surveys of representative housing projects in Seoul, Pusan and Inchon covering the buyers of both the 13 and 15 pyong apartments. The sample surveys covered approximately

12% of the buyers in each housing project. The results of these surveys were combined into overall statistics and the reported incomes adjusted to December 1974 at which time most of the buyers actually purchased their apartments. Reported family incomes were placed into income groupings. (See Table) and charted on a percentile graph.

In summary, the survey indicates the following:

- 13 Pyong Apartment Buyers
  - 65.5% of buyers were under the 47th percentile (monthly income of \$115)
  - 89.3% of buyers were under the 62nd percentile (monthly income of \$158)
  - Only 10.7% of the buyers were over the 62nd percentile (monthly income of \$158) and none of the buyers were over the 71st percentile.
- 15 Pyong Apartment Buyers
  - 52.4% of buyers were under the 62nd percentile (monthly income of \$158)
  - 91.4% of buyers were under the 71st percentile (monthly income of \$196)
  - Only 8.7% of the buyers were over the 71st percentile (monthly income of \$196).

D. Conclusions. The objective of the program was to reach income groups with family incomes ranging from \$100 to \$200 per month. From the results of the survey, it can be concluded that:

- The majority of 13 pyong apartments were purchased by families with incomes below the 47th percentile with only 24.8% between the 47th and 67th percentile and only 10.7% above the 67th percentile.  
This means that most of the buyers had incomes ranging from \$115 to \$158 per month.
- The majority of 15 pyong apartments were purchased by families with incomes between the 47th and 71st percentile and only 8.7% above the 71st percentile.  
This means that most of the buyers had incomes ranging between \$115 and \$196 per month.

In terms of reaching the target income groups planned, it can be concluded that this program satisfactorily met the objective.

#### Target Income Groups

In the proposed HG program it is anticipated that an even higher proportion of families in the target income group will purchase apartments. Since the unit cost is lower than in previous programs, more families will be eligible to register as purchasers. The selection of purchasers from the list of registrants appears to be done in an open and impartial manner. The purchasers are required to live in the apartments, which should discourage speculators. In general, the experience in Korea has demonstrated that the income level of purchasers appropriately matches the selling price of the living units.

Another interesting finding from the analysis of purchasers under the 1974 program is that many families contribute substantially more than 25% of their incomes to the purchase of living units. It can reasonably be assumed that this practice will continue in the future for significant numbers of purchasers in low-income groups.

#### Rationale for Funding Amounts

The most important long range objective of the proposed HG loan is to help the ROKG implement a housing policy that emphasizes an increasing use of public funds for housing low-income groups. As a result of constant A.I.D. encouragement, KHC has redesigned their apartments and significantly reduced land, urbanization and construction costs to reach lower income levels.

Additional A.I.D. funding considerations involve KHC's position in the government structure relative to the national housing effort. As a government corporation, KHC has the role of contributing to the solution of national housing problems and represents the principal agency to consider if existing housing strategy and other needed changes are to be implemented. Consequently, as long as A.I.D. is involved in Korea's housing programs, at any level, it will be necessary to work closely with the KHC. Any strategy having to do with housing would have to be done in close coordination with KHC.

The \$25 million loan for KHC was considered an essential element of the ROKG housing construction program and a minimum amount needed to help implement the 1975 housing construction plan.

KHC is competently staffed and has the capability to produce the housing. All of the planning work has been completed, land is available, and the program is an integral part of KHC's overall housing program for CY 1975.

The funding level for the Seoul City housing improvement program was established on the basis of the capability of the City to undertake and implement a newly directed program. The amount of \$10 million was considered to be the optimum feasible level based on a review of the City's previous efforts and present technical capabilities.

The two programs are parallel and are considered to be equally important in assisting the ROKG in implementing the national housing policy. Together, the programs provide a variety of housing types that are called for in the housing policy that will serve a wide range of income levels below the 50th percentile of the income distribution scale. (See table no. 7).

#### Program Evaluation Plans

The Office of Housing, in accordance with agreement reached with PPC, will not immediately be involved in the revised project development, review and approval system. However, on the proposed 1975 HG for Korea, it is the intention of the Office of Housing to begin implementing program planning and evaluation in a modified form, as follows:

Following authorization, the Office of Housing will send a team to Korea to work with the staff of the Bureau of Housing in Seoul City and the KHC to prepare the detailed plans for the programs, the time schedules and the evaluation plan. A logical framework matrix will be utilized in this process for identifying goals, indicators and assumptions, which will be used as the basis for establishing an evaluation plan. Requirements for project evaluation will be built into the implementation agreements of both the Seoul City and KHC projects.

#### Maintenance of Value (MOV)

In the first HG project for Korea, the MOV policy adopted by the ROKG was that both the government and home buyers would share in the burden of increased costs in local currency arising from future changes in the exchange rate. As a reserve fund for fluctuations, the government paid-in over one million

dollars over a three year period to the KHC. The home buyer is required to pay \$562 above the cost of exchange rate changes. Increases in the exchange rate above the amount of the reserve fund are to be absorbed by the government.

The second HG loan called on the home buyers to pay higher monthly payments if changes in the value between the won and the dollar rise above 4 percent. It was reasoned that since the value of housing, expressed in local currency, will rise with inflation and upward changes in exchange rates, the higher installment payments would not be out of line with the increased value of the houses, and therefore, home buyers should be asked to bear the total additional amount of the dollar risk. Mortgage financing and monthly payments for home buyers will be based on the dollar value of the won, at any given point, with the home buyers paying as much in local currency as is called for to comply with the changing needs at the time of payment.

MOV provisions for the third proposed HG project are proposed by the KHC to follow the practice in the second project. Final agreement on these provisions will be concluded during negotiations of the Implementation Agreement.

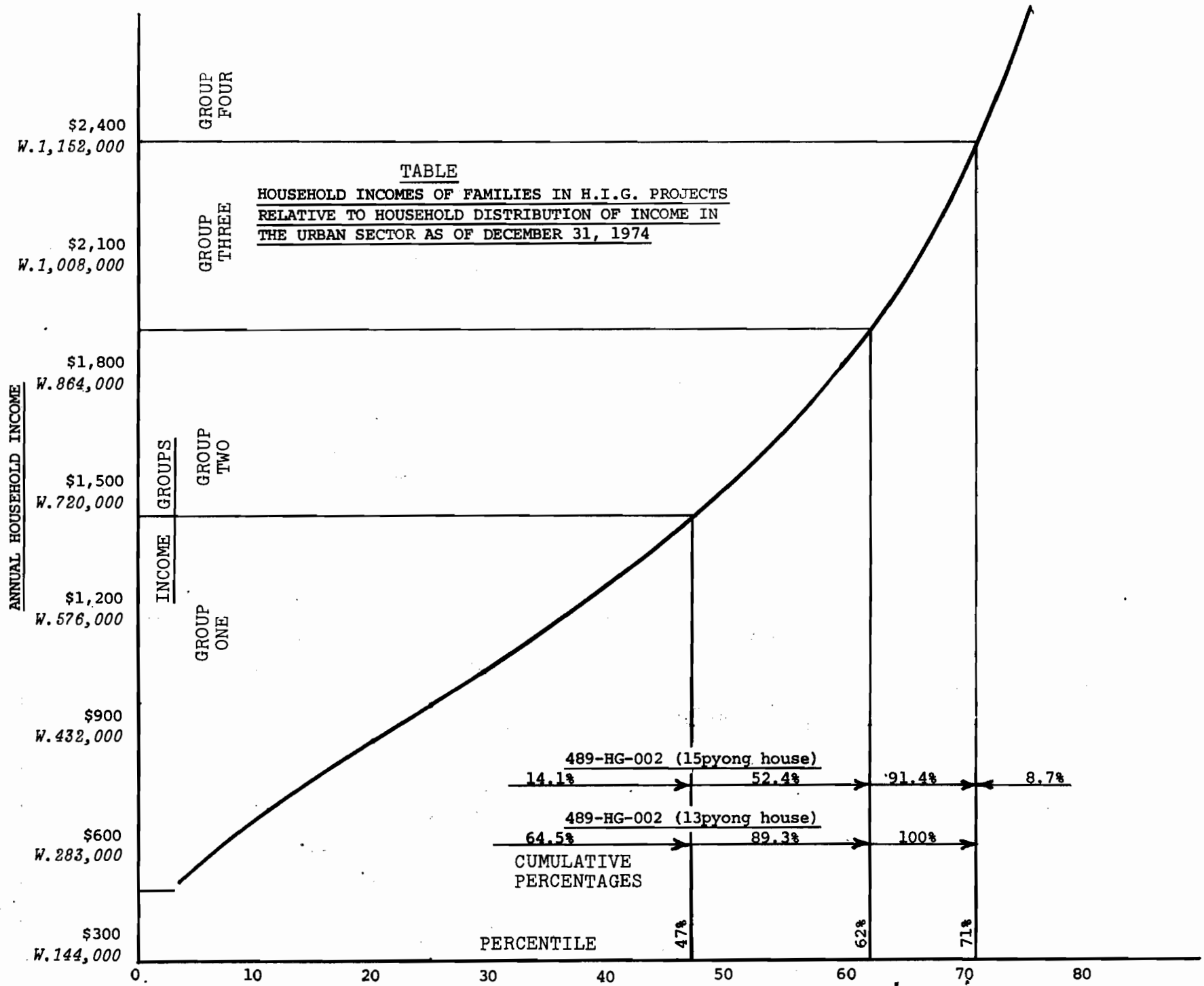
MOV provisions on the Seoul City project have not been determined. Because Seoul City is a government agency and the proposed project is aimed at very low income levels, serious consideration will be given to measures which will avoid unnecessary hardships to low income borrowers. Provisions to cover MOV will be negotiated with Seoul City officials during discussions on the Implementation Agreement.

#### The Role of Women

Women have traditionally enjoyed many rights in Korean culture which are not reflected in other societies. For example, women are free to obtain and hold property in their own names, and their property does not revert to their husbands when they marry. Women will participate on a completely equal basis in the purchase of living units constructed and financed under the proposed program.

#### Environmental Analysis Report

An environmental analysis checklist has been prepared for the proposed project and is attached to this memorandum.






**National Savings and Loan League**

1101 Fifteenth Street NW  
Washington, DC 20005  
202 331-0270 Cable: NATLISA

April 28, 1975

MEMORANDUM

TO: Mr. David McVoy, SER/H

FROM: William J. Gillen, NSLL 

REF: Request for Services McVoy - Senold #42 dated 4/17/75

SUBJECT: Environmental Impact - 489-HG-003 - Korea

1. The data presented, in the two documents attached hereto, does not go beyond simple identification of impact. Moreover, the subjective assessments have not addressed such topics as 'recommended actions for mitigation of adverse effects', 'identification of resources irretrievably committed', 'identification that would result in the same end product but would be more environmentally acceptable' ... such a case is the evaluation of the ondol system vis-a-vis a central heating system.

Within the time frame allotted to NSLL by SER/H to produce the data - every effort has been made to present a data series which will provide a measure of assurance that the proposed projects have been examined to reasonably insure that man's presently unquantified environmental amenities and cultural values have been given appropriate consideration in our decision making strategy along with economic and technical considerations.

The method of presentation of the data was, in certain measure, dictated by the preparation time constraints imposed. Alternate, more sophisticated, methodologies for identification and reporting can be employed should a more detailed assessment of the environmental effects of the proposed projects be desired by SER/H.



ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
Estimate of pollutants expected to be generated, effect on humans, wildlife, vegetation, agricultural production, aquatic environment, air and water quality recreation, etc., and provisions for abatement, treatment, disposal and monitoring; include:			NA			
Air pollutants from fossil fuel			NA			
Thermal pollution of water, air or land			NA			
Water pollution by primary or treated waste			NA			
Land pollution from solid wastes, ash or other residue disposal			NA			
Effect of noise on surrounding environment			NA			
Fuel storage and transfer facilities			NA			
Downstream riverine changes due to power plant discharges			NA			
Effect of electric power supply into previously unserved area on social and cultural habits and values			NA			
Effect on unemployment in area due to growth of business and industry by virtue of new or increased power supply			NA			
Aesthetic consideration of route and tower design for transmission and distribution facilities			NA			
Preservation of historic, cultural or archaeological sites			NA			
Effect on health of area inhabitants due to residual pollutants			NA			
Occupational safety provisions for generating plants			NA			
Public safety measures adopted for transmission and distribution, including sub-station and switchyards			NA			



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R = Reference in Remarks Column  
S = Section in Reference  
P = Paragraph Number in Reference  
PP = Pages in Reference Materials  
NA = Non Applicable  
T = SER/H Team Judgements in Field

Example: RA/SD/P3/PP26-54

April 25, 1975

Date

TO: David McVoy SER/H

FROM: William J. Gillen NSLL

REF: 489-HG-003 - Housing Improvement Program - Seoul City - Effect On Urban Environment

**A. BRIEF DESCRIPTION OF PROJECT**

(i) Introduction: The checklist inputs are the results of a study made of the "Case Study of the Impact of Rapid Urbanization - Smithsonian Institution Nov. 1974-Part II" (Ref. A) ... "Environmental Assessment Guidelines Manual AID/ENGR" (Ref. B) : Field surveys by the SER/H team were not conducted. Accordingly the judgements are subjective.

(ii) The project will assist to rehabilitate some squatter areas in the metropolitan area of Seoul. This will have an end effect of improving the environment to some degree but will make a very modest impact on the ecosystems common to the areas to be rehabilitated.

**B. ENVIRONMENTAL IMPACT OF REFERENCE PROJECT**

1.

**GENERAL URBANIZATION**

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Effect of the project on topography and of the site, including land forms, prominent or dominant land features, seismic activity and land stability, etc.			NA			
-- Waste disposal methods and effect of waste disposal on quality of ground water, surface water, land areas, etc.	X		RA/SD PP 93,97, 99			
-- Provisions for access and egress, expected traffic generation, public transportation system, etc.	X		T			
-- Provisions against squatter or less-than-desired housing development	X		T			

/ DATA SERIES E



1. GENERAL URBANIZATION Continued

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Provision for recreation, cultural and leisure time needs of population	X		T			
-- Provision for park land, green belts and other aesthetic facilities	X		T			
-- Type of housing planned as related to cultural acceptance, population			NA			
-- Opportunities for social and economic development of population	X		T			
-- Effect of dislocation and relocation of area residents including hardships imposed, and social consequences	X		T			
-- Effect on primitive cultures by providing access to previously inaccessible areas			NA			
-- Dislocation of population by new or widened R/W's of roads	X		T			
-- Aesthetic considerations of alignment and grade of roads			NA			
-- Effect of increased noise level from road traffic		X			X	RA/SH/PP 184
-- Social effect of increased traffic congestion			NA			
-- Potential for and consequences of strip or squatter development along road rights of way	X		T			
-- Effect of changed drainage patterns and configurations			NA			
-- Considerations given to borrow pit and waste area siting and restoration			NA			
-- Effect of air pollution including from both fuel combustion and dust		X			X	RA/PP 130, 131, 132
-- Educational needs and facilities to be provided to meet socio-cultural needs	X		T			

/ DATA SERIES E



## 1. GENERAL URBANIZATION Continued

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Provision of shops, markets and other basic need supply facilities and relation of these facilities to social and cultural quality	X		T			
-- Potential for new disease vectors or aggravation of existing diseases due to change in population densities, urban pressures potential higher levels of pollution including human animal and plant diseases			NA			
-- Adequacy of health care facilities to be provided	X		T			
-- Safety provisions such as fire-fighting facilities to be provided	X		T			
-- Safety provisions for pedestrians and school children	X		T			
-- Safety provisions such as modal separation of traffic, separated grade crossings, traffic control systems, etc.	X		T			

## 2. MUNICIPAL ACTIVITIES --- except power and comfort control

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Water supply source considerations and expected water quality			NA			
-- Treated water and/or sewage treatment plant effluent sterilization method and system safeguards for protection of both water quality and plant personnel			NA			
-- Provisions for monitoring chemical and bacteriological water quality of source, treatment, distribution, collection and disposal			NA			
-- Probability of system overload, design features to accommodate overload and/or consequences of such overload			NA			



## 2. MUNICIPAL ACTIVITIES Continued

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Type and reliability of waste (liquid and/or solid) collection		X			X	RA/SD/P 4b PP 97 thru 103
-- Type and reliability of waste treatment	X		RA/SD/4b PP 97-99			
-- Degree of integration of industrial waste disposal with municipal sewerage system and consequences of integration or no integration			NA			
-- Identification of toxic materials entering waste water stream and provision for treatment or removal of these materials			NA			
-- Degree of integration of storm water collection and municipal sewerage and consequences thereof			NA			
-- Method of terminal water supply distribution (i.e., house connections with interior piping, private yard faucets, public faucets or watering points, etc.) and social impact of selected method	X		T			
-- Manpower and training requirements for proper and effective operation of systems involved	X		T			
-- Social aspects of plant siting, including aesthetic and recreational interface			NA			
-- Extent of use of street (public) faucets and hydrants, disposal of waste water or spillage at faucet site and other measures planned to reduce health hazard or nuisance at public watering sites	X		T			
-- Health or other environmental problems that may be created due to transporting and concentrating sanitary/industrial wastes and/or storm waters at new locations		X			X	RA/SD/P4 PP 97 thru 103
-- Provision for water system capacity for fire protection or potential consequences if provisions not made	X		T			
-- Gases, odors, insects and other nuisance or disease vectors which may be generated or aggravated			NA			
-- Provisions for protection of sewerage system operating personnel from explosions and exposure to toxic materials or harmful chemicals			NA			



## 3. POWER AND TRANSMISSION - CENTRAL HEATING PLANTS AND TRANSMISSIONS

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Estimate of pollutants expected to be generated, effect on humans, wildlife, vegetation, agricultural production, aquatic environment, air and water quality recreation, etc., and provisions for abatement, treatment, disposal and monitoring; include:			NA			
-- Air pollutants from fossil fuel			NA			
-- Thermal pollution of water, air or land			NA			
-- Water pollution by primary or treated waste			NA			
-- Land pollution from solid wastes, ash or other residue disposal			NA			
-- Effect of noise on surrounding environment			NA			
-- Fuel storage and transfer facilities			NA			
-- Downstream riverine changes due to power plant discharges			NA			
-- Effect of electric power supply into previously unserved area on social and cultural habits and values			NA			
-- Effect on unemployment in area due to growth of business and industry by virtue of new or increased power supply			NA			
-- Aesthetic consideration of route and tower design for transmission and distribution facilities			NA			
-- Preservation of historic, cultural or archaeological sites			NA			
-- Effect on health of area inhabitants due to residual pollutants			NA			
-- Occupational safety provisions for generating plants			NA			
-- Public safety measures adopted for transmission and distribution, including sub-station and switchyards			NA			





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T = SER/H Team Judgements in Field

Example: RA/SD/P3/PP26-54

April 25, 1975

Date

TO: David McVoy SER/H

FROM: William J. Gillen NSLL *William J. Gillen*

REF: 489-HG-003 - Urban Housing Program (KHC) - Seoul City, Busan City  
Effect on Urban Environment

**A. BRIEF DESCRIPTION OF PROJECT**

(i) Introduction: The checklist inputs are the results of a study made of the "Case Study of the Impact of Rapid Urbanization - Smithsonian Institution Nov. 1974-Part II" (Ref. A) ... "Environmental Assessment Guidelines Manual AID/ENGR" (Ref. B) : Field surveys by the SER/H team were not conducted. Accordingly the judgements are subjective.

(ii) The project will provide 6,565 apartment units in condominium to serve the lower 50 percentile of the population of the target cities. The designs are such as to measurably upgrade the social environment with a modest impact on the ecosystems common to the projects' location.

**B. ENVIRONMENTAL IMPACT OF REFERENCE PROJECT**

**1. GENERAL UREANIZATION**

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Effect of the project on topography and of the site, including land forms, prominent or dominant land features, seismic activity and land stability, etc.	X		T			
-- Waste disposal methods and effect of waste disposal on quality of ground water, surface water, land areas, etc.	X		T			
-- Provisions for access and egress, expected traffic generation, public transportation system, etc.	X		T			
-- Provisions against squatter or less-than-desired housing development	X		T			

/ D A T A S E R I E S E



## 1. GENERAL URBANIZATION Continued

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Provision for recreation, cultural and leisure time needs of population	X		T			
-- Provision for park land, green belts and other aesthetic facilities	X		T			
-- Type of housing planned as related to cultural acceptance, population	X		T			
-- Opportunities for social and economic development of population	X		T			
-- Effect of dislocation and relocation of area residents including hardships imposed, and social consequences			NA			
-- Effect on primitive cultures by providing access to previously inaccessible areas			NA			
-- Dislocation of population by new or widened R/W's of roads			NA			
-- Aesthetic considerations of alignment and grade of roads	X		T			
-- Effect of increased noise level from road traffic			NA			
-- Social effect of increased traffic congestion	X		T			
-- Potential for and consequences of strip or squatter development along road rights of way	X		T			
-- Effect of changed drainage patterns and configurations	X		T			
-- Considerations given to borrow pit and waste area siting and restoration			NA			
-- Effect of air pollution including from both fuel combustion and dust		X			X	RA/SF/PP 130 to 132
-- Educational needs and facilities to be provided to meet socio-cultural needs	X		T			

/ D A T A S E R I E S E



## 1. GENERAL URBANIZATION Continued

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Provision of shops, markets and other basic need supply facilities and relation of these facilities to social and cultural quality.	X		T			
-- Potential for new disease vectors or aggravation of existing diseases due to change in population densities, urban pressures potential higher levels of pollution including human animal and plant diseases			NA			
-- Adequacy of health care facilities to be provided	X		T			
-- Safety provisions such as fire-fighting facilities to be provided	X		T			
-- Safety provisions for pedestrians and school children	X		T			
-- Safety provisions such as modal separation of traffic, separated grade crossings, traffic control systems, etc.	X		T			

## 2. MUNICIPAL ACTIVITIES --- except power and comfort control

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Water supply source considerations and expected water quality			NA			
-- Treated water and/or sewage treatment plant effluent sterilization method and system safeguards for protection of both water quality and plant personnel			NA			
-- Provisions for monitoring chemical and bacteriological water quality of source, treatment, distribution, collection and disposal			NA			
-- Probability of system overload, design features to accommodate overload and/or consequences of such overload			NA			



## 2. MUNICIPAL ACTIVITIES Continued

ITEM	Acceptable			Reasonable Alternatives		
	Yes	No	Remarks	Yes	No	Remarks
-- Type and reliability of waste (liquid and/or solid) collection	X		T			
-- Type and reliability of waste treatment	X		RA/SD/4b PP 97 to 99			
-- Degree of integration of industrial waste disposal with municipal sewerage system and consequences of integration or no integration	X		T			
-- Identification of toxic materials entering waste water stream and provision for treatment or removal of these materials			NA			
-- Degree of integration of storm water collection and municipal sewerage and consequences thereof	X		T			
-- Method of terminal water supply distribution (i.e., house connections with interior piping, private yard faucets, public faucets or watering points, etc.) and social impact of selected method	X		T			
-- Manpower and training requirements for proper and effective operation of systems involved	X		T			
-- Social aspects of plant siting, including aesthetic and recreational interface	X		T			
-- Extent of use of street (public) faucets and hydrants, disposal of waste water or spillage at faucet site and other measures planned to reduce health hazard or nuisance at public watering sites			NA			
-- Health or other environmental problems that may be created due to transporting and concentrating sanitary/industrial wastes and/or storm waters at new locations		X			X	RA/SD PP 97 to 103
-- Provision for water system capacity for fire protection or potential consequences if provisions not made	X		T			
-- Gases, odors, insects and other nuisance or disease vectors which may be generated or aggravated			NA			
-- Provisions for protection of sewerage system operating personnel from explosions and exposure to toxic materials or harmful chemicals			NA			



# Department of State

## TELEGRAM

UNCLASSIFIED 9263

PAGE 01 SEOUL 03017 01 OF 02 291156Z

41  
ACTION AID-59

INFO OCT-01 EA-10 EB-07 L-02 IGA-01 /080 W

092051

P 290910Z APR 75  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC PRIORITY 9769

UNCLAS SECTION 1 OF 2 SEOUL 3017

AIDAC

E.O. 11652: N/A  
SUBJ: 1975 HOUSING GUARANTY PROJECT REVIEW

REF: (A) STATE 089953  
(B) SEOUL 2803  
(C) SEOUL 2928

1. FOLLOWING EVALUATIVE INFORMATION, AS REQUESTED  
REF (A), RECEIVED APRIL 26 FROM KHC/MOC. INFORMATION  
IS BASED UPON SURVEY OF 200 UNITS IN YUNGDOONG (200 OF  
1400 OCCUPIED 15 PYONG UNITS), PUSAN (100 OF 300 AND  
100 OF 627 OCCUPIED 13 AND 15 PYONG UNITS RESPECTIVELY),  
INCHON (100 OF 200 AND 100 OF 282 OCCUPIED 13 AND 15  
PYONG UNITS RESPECTIVELY), AND BANPO (200 OF 1490 OCCUPIED  
22 PYONG UNITS). THE SURVEY WAS CONDUCTED APRIL 18-20  
AND THE RESULTS ARE AS OF THE DATES OF THIS SURVEY.

### A. PREVIOUS RESIDENCE:

#### DESCRIPTION

	YUNG DONG 15PY 13PY	PUSAN 15PY	INCHON 13PY 15PY	BANPO 22PY
OWN HOUSE:				
UNITS	43	8	26	7
PERCENT	30	9	24	58

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## KEY MONEY:

UNITS	71	74	52	38	23	45
PERCENT	50	82	63	78	44	34

## MONTHLY

### RENT:

UNITS	19	5	3	2	-	5
PERCENT	13	6	4	4	-	4

## SLUM:

UNITS	4	-	-	-	-	2
PERCENT I	3	-	-	-	-	2

## RELATIVE'S

### HOUSE:

UNITS	4	2	3	2	1	3
PERCENT	3	2	4	4	2	2

## OTHER:

UNITS	2	-	4	-	1	-
PERCENT	1	1	5	-	2	-

## TOTAL #1

UNITS	143	90	82	49	52	132
PERCENT	100	100	100	100	100	100

## #1 RESPONSES RECEIVED.

## B. NUMBER OF PERSONS PER HOUSEHOLD:

### DESCRIPTION

	YUNG		PUSAN		INCHON	BANPO
	DONG		15PY	13PY	15PY	22PY
TWO PERSONS						
UNITS	25	8	8	6	7	14
PERCENT	17	9	10	10	13	8

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PERSONS	UNITS	PERCENT	41	22	21	11	11	30
UNITS	29	24	26	19	21	17		

FOUR PERSONS	UNITS	PERCENT	36	32	33	22	18	63
UNITS	25	36	40	37	35	36		

FIVE PERSONS	UNITS	PERCENT	29	20	14	13	10	36
UNITS	20	22	17	22	19	21		

SIX PERSONS	UNITS	PERCENT	7	5	6	4	4	23
UNITS	5	6	7	7	8	13		

OVER SIX PERSONS	UNITS	PERCENT	5	3	-	3	2	9
UNITS	4	3 <td>- <td>5 <td>4 <td>5</td> <td></td> <td></td> </td></td></td>	- <td>5 <td>4 <td>5</td> <td></td> <td></td> </td></td>	5 <td>4 <td>5</td> <td></td> <td></td> </td>	4 <td>5</td> <td></td> <td></td>	5		

TOTALS #1	UNITS	PERCENT	143	90	82	59	52	175
UNITS	100	100	100	100	100	100	100	

#1 RESPONSES RECEIVED.

C. NUMBER OF WAGE EARNERS PER HOUSEHOLD:

	DESCRIPTION					
	YUNG DONG 15PY	PUSAN 13PY	15PY	INCHON 13PY	15PY	BANPO 22PY
NONE: (UNEMPLOYED)						
UNITS	4	8	2	2	4	16
PERCENT	3	10	2	3	7	10

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REGISTRATION

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PERSON:						
UNITS	111	63	90	56	77	125
PERCENT	78	80	93	80	77	75

TWO PERSONS:						
UNITS	24	4	5	5	10	18
PERCENT	17	5	5	8	17	11

THREE PERSONS:						
UNITS	3	3	-	-	-	4
PERCENT	2	4	-	-	8	2

FOUR PERSONS:						
UNITS	1	1	-	-	-	-
PERCENT	0	1	-	-	-	-

OVER FOUR:						
UNITS	-	-	-	-	-	1
PERCENT	-	-	-	-	-	1

TOTAL #1						
UNITS	143	79	97	63	59	104
PERCENT	100	100	100	100	100	100

## D. OCCUPATION OF HEAD OF HOUSEHOLD:

	DESCRIPTION					
	YUNG DUNG 15PY	PUSAN 13PY	PUSAN 15PY	INCHON 13PY	INCHON 15PY	BANPO 22PY
GOVT. EMPLOYEE						
UNITS	30	22	18	16	12	42
PERCENT	21	23	20	27	20	27
COMPANY EMPLOYEE						
UNITS	77	62	61	38	35	92

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PERCENT	54	63	68	64	67	58
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TECHNICIAN  
& LABORER

UNITS	-	2	1	1	-	-
PERCENT	-	2	1	2	-	-

DAILY  
LABORER

UNITS	-	1	-	1	-	-
PERCENT	-	1	-	2	-	-

BUSINESS

UNITS	24	10	8	3	5	15
PERCENT	17	10	9	5	10	9

OTHER

UNITS	12	1	2	-	-	10
PERCENT	8	1	2	-	-	6

TOTAL #1

UNITS	143	98	90	59	52	159
PERCENT	100	100	100	100	100	100

#1 RESPONSES RECEIVED.

(MORE)

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ACTION AID-59

INFO OCT-01 EA-10 EB-07 L-02 IGA-01 7050 N  
092235

P 290910Z APR 75  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC PRIORITY 9770

UNCLAS SECTION 2 OF 2 SEOUL 3017

AIDAC

F.O. 11652: N/A  
SURJ: 1975 HOUSING GUARANTY PROJECT REVIEW

F. MONTHLY INCOME:

	DESCRIPTION					
	YUNG DONG 15PY	PUSAN 13PY	15PY	INCHON 13PY	15PY	BANPO 22PY
LESS THAN WON20,000 UNITS PERCENT	-	-	-	-	-	-
20-40,000 WON UNITS PERCENT	-	9 10	-	34 58	-	-
40-60,000 WON UNITS PERCENT	28 20	40 45	7 9	13 22	4 8	16 10
60-80,000 WON UNITS	51	28	33	9	22	23

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PERCENT	36	31	40	15	42	14
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80-100,000

WON	58	13	32	3	18	48
-----	----	----	----	---	----	----

PERCENT	40	14	39	5	35	29
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MORE THAN  
100,000 WON

UNITS	6	-	10	-	8	79
-------	---	---	----	---	---	----

PERCENT	4	-	12	-	15	47
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TOTAL #1

UNITS	143	90	82	59	52	166
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PERCENT	100	100	100	100	100	100
---------	-----	-----	-----	-----	-----	-----

#1 RESPONSES RECEIVED.

F. MAN DAYS OF EMPLOYMENT GENERATED: #1

	DESCRIPTION		
	13PYONG	15PYONG	TOTAL
PER UNIT:	254	293	547
UNSKILLED	262	302	564

TOTAL

CONSTRUCTION

PROJECT:

NO. OF UNITS	6,200	3,000	9,200
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SKILLED	1,574,800	879,000	2,453,800
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UNSKILLED NYWRNRPP	906,000	2,530,400
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TOTAL	3,199,200	1,785,000	4,984,200
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#1 PROJECTED FOR KHC PROGRAM ONLY.

2. ABOVE DATA BEING POUCHED TO SER/H.

3. BASED UPON THE ABOVE INFORMATION WHICH IS INDICATIVE OF THE ROKG'S EFFORTS TO REACH THE INCOME TARGET GROUP UNDER THE HG-002 PROGRAM AND THE ASSURANCE FROM THE MOC REGARDING THE NEAR TERM PROMULGATION OF THE NATIONAL HOUSING POLICY, WE STRONGLY SUPPORT

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THE AUTHORIZATION OF BOTH THE KHC AND SEOUL CITY PROGRAMS AT THIS TIME. AS SER/H AWARE, THE FINAL DRAFT OF THE NATIONAL HOUSING POLICY SUPPORTS THE PROVISION OF HOUSING TO LOWER INCOME GROUPS AND INCLUDES UNDER ITS OBJECTIVES THE STATEMENT THAT QUOTE THE KOREAN HOUSING CORPORATION (KHC) SHALL DEAL WITH THE RENTAL HOUSING CONSTRUCTION FOR LOWEST INCOME GROUPS, AND HOUSING CONSTRUCTION FOR SALE TO THE LOW AND LOWER-MIDDLE INCOME GROUPS END QUOTE. THE ROKG IS ANXIOUS TO MOVE AHEAD WITH BOTH PROGRAMS WITH THE CONSTRUCTION SEASON ALREADY HAVING BEGUN IN MARCH, ANY FURTHER DELAY IN AUTHORIZATION WILL HINDER ROKG'S PLANS AND EFFORTS TO RAPIDLY UTILIZE AVAILABLE HIG FUNDING, ESPECIALLY UNDER THE PROPOSED KHC PROGRAM.  
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ADVANCE COPY

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ACTION AID-31

INFO OCT-01 EA-10 EB-07 /049 W

000973

P 020800Z MAY 75  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC PRIORITY 9842

UNCLAS SEOUL 3121

AIDAC

E.O. 11652: N/A

SUBJ: 1975 HOUSING GUARANTY PROJECT REVIEW

REF: (A) STATE 089953, (B) SEOL 3086, (C) ADLER/  
LITTLEFIELD TELECON 5/2

1. THIS MORNING WE WERE INFORMED BY STAFF OF THE HOUSING AND URBAN DEVELOPMENT BUREAU (HUDB), MINISTRY OF CONSTRUCTION, THAT THE NATIONAL HOUSING POLICY (NHP) WAS ANNOUNCED TO LOCAL PRESS AND REPRESENTATIVES OF KOREAN HOUSING CONSTRUCTION INDUSTRY AT A MEETING HELD ON APRIL 30, BUT THAT THE MINISTER ONLY OFFICIALLY SIGNED THE NHP ON MAY FIRST. NHP WAS APPARENTLY READY FOR SIGNING APRIL 30, BUT DUE TO PRESSING BUSINESS, INCLUDING VISIT BY SAUDI ARABIAN MINISTER OF COMMUNICATIONS/CONSTRUCTION, MINISTER KIM JAE KYU UNABLE TO SIGN UNTIL MAY FIRST. HOUSING DIVISION CHIEF KIM CHANG KON, AND HUDB CHIEF NAM DUCK HYUN, CONSIDER NHP TO BE WITHIN THE PURVIEW OF MOC AS SET FORTH UNDER THE ROKG'S GOVERNMENT ORGANIZATION LAW, AND AS SUCH THE OFFICIAL ROKG PRONOUNCEMENT IN REGARD TO HOUSING POLICY.  
SNFIDER

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